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THE WEATHER — PARIS: Thursday, cloudy. Temp. 11-20... LONDON: Thursday, foggy. Temp. 6-17... ROME: Thursday, foggy. Temp. 12-18... FRANKFURT: Thursday, cloudy. Temp. 12-21... NEW YORK: Thursday, cloudy. Temp. 11-22.

ADDITIONAL WEATHER DATA — PAGE 2



THREAT ON REAGAN — Edward M. Richardson, left, arrives at a Manhattan detention unit after being held on charges of threatening to kill Mr. Reagan. Details page 3.

China Seeks Loan, Revives Japan Deals

By William Chapman Washington Post Service TOKYO — In another economic policy reversal, China has disclosed that it will not cancel the large industrial plant contracts it has made with Japan. But the Chinese government simultaneously has asked for a \$4 billion loan from Japan to revive the four major petrochemical plants that it had ordered suspended only a few months ago. Japanese officials Wednesday described a loan of that size as impossible to grant. "That is an incredible figure," said one official. The latest development in China has left the Japanese government still baffled by the sharp swings in Chinese economic policy. The Japanese are encouraged by the decision not to cancel the industrial projects and the promise to pay for what has been delivered so far. But it is not clear how China plans to raise the money. So far, China has not said that it must have the large Japanese loan to revive the projects and Japan is assuming that the two are not necessarily linked together. Preliminary negotiations are scheduled to begin in Tokyo this week with the major decisions to be made later this month when Chinese Vice Premier Gu Mu arrives. The talks are crucial for China

Haig Ends Mideast Trip, Claiming Policy Success

From Agency Dispatches MADRID — Claiming success for his Middle East trip and for U.S. efforts to end the fighting in Lebanon, Secretary of State Alexander M. Haig Jr. arrived here Wednesday night seemingly convinced that the Reagan administration's foreign policy is working. Although he said that his trip through four Middle East nations "accomplished our stated objective," he conceded that the failure to achieve an Arab-Israeli peace agreement has given the Soviet Union "troubled waters in which to fish." Mr. Haig said on a stopover in Rome that he had achieved "a substantial consensus" while in Egypt, Israel, Jordan and Saudi Arabia regarding "external threats to the region from the Soviet Union and its surrogates." By confronting the Soviet threat, he said, "the Middle East peace which is a high priority of U.S. policy can thus be achieved in a climate of overall security." Reporters aboard Mr. Haig's plane were told that the secretary had been feeling that Middle East leaders were starving for a consistent and reliable lead from the United States. "Sounds Like Baloney" The senior official said: "I sounds like baloney, but it's not. I have learned that there has been a deep-seated lack of confidence in the U.S. leadership over the past few years." A senior official aboard the secretary's plane said Mr. Haig felt Arab leaders with the message that a U.S. failure to meet its commitments to Israel would be worse than being an enemy to the Arab world. He told Saudi and Jordanian leaders that "a friend that fails to meet his commitments is worse than an enemy." An official Saudi statement following Mr. Haig's meeting Wednesday with King Khalid and Crown Prince Fahd of Saudi Arabia reiterated their "irrevocable" stand that "no just and durable peace can be reached in the Mid-

Russian Buildup Of Afghanistan Forces Reported

By Michael T. Kaufman New York Times Service NEW DELHI — A Western diplomatic source claimed Wednesday that large numbers of Soviet troops have arrived in Afghanistan in recent weeks to bolster the Soviet units that have been trying to subdue Islamic guerrillas for the last 15 months. The diplomatic source cited reports from well-placed Afghan informants who he said "repeatedly asserted that large numbers of additional troops have arrived in the country." The source said that the estimates of new arrivals ranged from 10,000 to 60,000, although most of the reports center on 20,000 to 22,000. He further added that most informants described newly arrived soldiers as additions rather than replacements. Such an influx, if confirmed, would represent the first escalation in the size of the Soviet force in Afghanistan, which for more than a year has been reportedly maintained at about 85,000 men. In the past, some Soviet military experts have been quoted as saying that 300,000 troops were needed to thoroughly quash the many guerrilla bands operating in the country. The reluctance of the Russians to follow such military prescriptions had been regarded by some Western analysts as indication that Moscow, widely criticized for its intervention, was seeking some formula for disengagement. Wednesday's report by the diplomatic source of the Soviet troop buildup came as Shah Mohammed Dost, the Afghan foreign minister, suggested that his country might consider asking for more Soviet soldiers if guerrilla groups were to receive new supplies and aid, presumably from Washington routed through Pakistan. To an interview with a reporter from The Patriot, a newspaper published by the pro-Soviet Communist Party of India, Mr. Dost was quoted as saying: "We have no need for an increase in the limited Soviet contingents in Afghanistan, but we are taking into consideration all the developments around us. In the event of some countries' taking steps to upset the balance in the region, we obviously cannot ignore them and [we] reserve the right to take appropriate countermeasures." Meanwhile, Western diplomatic sources and some on-Asian recent visitors to Kabul reported that Russians, both military and civilians, were suddenly more in evidence than they had been a month ago. A number of accounts tended to confirm earlier reports that Soviet personnel were moving into the barracks and encampments that had been vacated during the last few weeks by the remnants of four Afghan divisions encompassing about 16,000 troops. These Afghan forces have been dispatched to the countryside under orders to pursue and root the guerrilla groups who have gained mobility with the arrival of spring. The melting snows have also enabled passage by large numbers of Soviet convoys of trucks carrying building materials, fertilizers and, in one case, 50 damaged armored personnel carriers that were spotted by Western sources. The Western diplomats also conveyed scattered reports of clashes in the countryside between the Afghan units deployed from the capital and guerrillas. A source reported that officers of one armored division were told that their force would be followed by Soviet units with orders "to shoot any Afghan who retreated or failed to seriously pursue" the guerrillas.

Sarkis Calls for Cease-Fire in Lebanon; Fighting Continues in Beirut and Zahle

New York Times Service BEIRUT — After a day of fierce fighting between Syrian troops and Christian militias, Lebanese President Elias Sarkis Wednesday ordered a cease-fire in Beirut and in the Christian town of Zahle in eastern Lebanon, although the truce was only partially observed. Sporadic shooting continued in the capital hours after the cease-fire was due to come into effect, and artillery duels raged in the hills around Zahle. State-run Radio Lebanon said that all sides had promised to observe the cease-fire, the eighteenth since the fighting broke out. Police sources reported, however, that the bombardment of the city by Syrian troops had stopped, allowing medical aid and relief teams to enter the town for the first time since violence erupted eight days ago. The teams were escorted to the entrance of Zahle by a combined patrol of Syrian and regular Lebanese troops, the sources said. Along Green Line For several hours, artillery shells rained down on Beirut's Muslim and Christian quarters as fighting raged along the entire length of the so-called Green Line, which separates the quarters. Black smoke hung over the city, and mortar shells hit two hospitals in predominantly Muslim West Beirut, killing one person and injuring several, police said. A ball of smoke also rose from a high-rise building in Christian East Beirut, and Voice of Lebanon, the radio station of the rightist Christian Phalangist Party, said that many casualties were inflicted by Syrian fire. Mr. Sarkis was formally the commander in chief of the 30,000-member Arab deterring force composed of Syrian troops and Damascus-controlled units of the Palestine Liberation Army. The truce, if it lasts, will help him and his government to work out security arrangements that might lead to an end to the hostilities. However, the Syrian and Christian positions remain far apart. In fact, the rejection by Christian militias of Syrian terms was believed to have been the cause for the escalation of the fighting Wednesday morning. Call for UN Troops The cease-fire terms were brought to Beirut Tuesday by Mr. Abdel Halim Khaddam, Syria's deputy premier and foreign minister. They were forwarded to Phalangist leaders, who control the Christian militias, by government officials after Mr. Khaddam had met with Mr. Sarkis. The Christian command rejected them. The main alliance of Christian groups and personalities — known as the "Lebanese Front" — issued a statement after a meeting in Beirut Wednesday. It called for the United Nations to send troops to Lebanon to replace the Syrians, who were sent here five years ago to put an end to the civil war. According to the terms, which were covered in the Lebanese press, Syria insisted on removal of the militias from Zahle, and bringing the strategic hill and roads outside the Christian town under Syrian control. The president met with foreign



Bela Karoly with Nadia Comaneci at the Montreal Olympics.

Coach of Comaneci, Wife Defect to U.S.

By Charles Fenyes and Bart Barnes Washington Post Service WASHINGTON — The Romanian who coached Nadia Comaneci to six medals at the 1976 Montreal Olympics has defected to the United States. Bela Karoly, 38, his wife, Marta, and Geza Pozsar, the top choreographer for the Romanian National Gymnastics Team, informed Romanian officials of their decision in a meeting Tuesday at the State Department. The Karolys left their 7-year-old daughter and Mr. Pozsar left his wife and infant daughter. Mr. Karoly is considered one of the world's great gymnastics trainers. In an interview later, the Karolys and Mr. Pozsar said that the decision to defect to Romania was made in New York on March 30, the last day of a four-week tour of the United States by the Romanian Women's National Gymnastics Team. Disaffection The trainers said that their decision stemmed from long-standing dissatisfaction with their treatment by the Romanian State Central Federation of Athletics. After Miss Comaneci's spectacular success in Montreal, they said, she was treated as a national asset and removed from their tutelage for periods ranging up to a year. "This interference with Nadia's career led to her widely publicized decline between 1977 and 1978," Mr. Karoly said. The three trainers, who have worked together for the last 11 years, said they hoped to continue their careers in the United States. Since her 1976 triumph in Montreal, where Miss Comaneci, then 14, scored an unprecedented seven perfect scores of 10, the name Nadia has become synonymous with gymnastics excellence throughout the world. The publicity generated from her triumphs in Montreal have had a wide impact on gymnastics in the United States. INSIDE Egypt's Economy Egypt, whose economic house has been often in chaos in the last three decades, is undertaking a sweeping reform plan to put it in order. A turnaround began as budget and balance-of-payments surpluses were reported for 1980. A special supplement looking at this and other developments in Egypt begins on Page 7S. The Shuttle After a series of problems, the U.S. space shuttle Columbia is apparently ready for launching at last. In today's Insights section, an article analyzes the U.S. view of the spacecraft's fitful development, and of the questions the space program raises: Has the United States lost its technological touch? Can a successful flight by Columbia regain it? Page 6. superpower feels its security is at stake. The list of negatives does not solve the riddle of whether intervention was a live policy option or was intended as a pressure tactic. It would only work as a tactic, of course, if the threat seemed real. There is little question, however, that the pressure was effective. In talks with union leaders on the eve of a threatened general strike a week ago, government officials themselves raised the specter of Soviet tanks. Forced Compromise The threat of intervention forced the union to compromise with the government for the first time. It rescued the few hard-liners left in the party leadership from expulsion and strengthened the moderates in the Solidarity union organization. A case could be argued that, had there been no maneuvers, the country would have fallen into a general strike and the authorities swept away. But why did the maneuvers continue and expand after the internal crisis here receded? One explanation is that the Russians abandoned, at least

Poles Welcome Softer Stance By Brezhnev

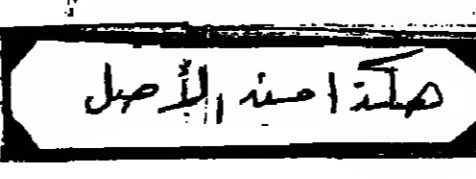
From Agency Dispatches WARSAW — The Polish media, Solidarity and farmers seeking their own union joined Wednesday in welcoming Soviet President Leonid I. Brezhnev's apparent vote of confidence in Poland's ability to solve its own problems. Newspapers praised Mr. Brezhnev's "farsightedness" and called him a "consistent supporter of peace," and the unofficial independent farmers union, Rural Solidarity, said in a pledge of support to the Communist Party that it would never strike. But a Western diplomatic source warned against any surge of euphoria at Mr. Brezhnev's remarks, cautioning that "we know that the Soviets have installed extensive communications equipment and facilities all over the country, and there is a question of how long they could maintain it." Some Poles found greater significance in the more ominous warning of Czechoslovak Communist Party leader Gustav Husak that the Warsaw Pact would not remain passive if Communism were threatened in Poland. The state Interpress news agency said Communist Party leader Stanislaw Kania would meet Thursday with the party organization at the Lenin Shipyard in Gdansk — scene of the August strike that spawned the independent unions and set off the trend of social change. "Less Politicizing" Solidarity leader Lech Walesa called Tuesday for relaxation of confrontation with the Soviet Union announced the end of the Warsaw Pact maneuvers that had raised fears of Soviet intervention. Saying that he wants to retire, Mr. Walesa urged his union to use the breathing space to show "less politicizing, less talking and greater focus on the problems people are interested in." The U.S. State Department said Wednesday that Soviet divisions in East Europe are at a high state of readiness and remain a threat to Poland despite an announced end to the Warsaw Pact maneuvers, United Press International reported. Department spokesman William J. Dyess said that Mr. Brezhnev, in his speech to the Czechoslovak Communist Party Congress in Prague, "gives us no clear idea of Soviet intentions. While it seems to be designed to give some reassurance on the issue of Soviet military intervention, the speech did not rule out any options," he said. "Solidarity did not respond formally to Mr. Brezhnev's speech, but a union source said initial reaction to his support of Polish efforts to solve their own problems was favorable." "In particular," the statement said, "ministers agreed that the Soviets would gravely undermine the basis for effective arms control negotiations if they were to intervene in the internal affairs of Poland. Poland must be free to decide its own future." U.S. Defense Secretary Caspar W. Weinberger told a brief news conference that he was "pleased" with the NATO ministers' statement, and said that fixing any date for exploring arms control talks with the Soviet Union would "depend entirely on Soviet conduct in the next few weeks and months." The United States has been under heavy pressure from its allies

NATO Ties Arms Talks To Poland

By Don Cook Los Angeles Times Service BONN — NATO defense ministers firmly told the Soviet Union here Wednesday that any negotiation on future arms control is now dependent on restraint in the use of force against Poland. At the conclusion of a two-day meeting of NATO's special nuclear planning group, the ministers noted that the Soviet Union has now deployed 220 medium-range SS-20 missiles with triple warheads targeted against Europe. The ministers reaffirmed unanimously that "NATO will move ahead with its planned schedule of long-range theater nuclear force modernization." This entails the installation of 572 new Pershing-2 and low-flying Cruise missiles in Western Europe beginning in the second half of 1983. New Rider Meanwhile, although emphasizing that NATO also wants "balanced, equitable and verifiable arms control agreements limiting such nuclear forces," the ministers attached an important new rider in the form of the Polish statement. In a special statement on Poland read by NATO Secretary-General Joseph Luns, they declared: "Acts of intervention including the use or threat of use of military force are incompatible with the professed Soviet desire for peace and disarmament and are inconsistent with the Helsinki Final Act and the United Nations Charter." "Any Soviet intervention," the statement went on, "would pose a serious threat to security and stability and would have profound implications for all aspects of East-West relations." "In particular," the statement said, "ministers agreed that the Soviets would gravely undermine the basis for effective arms control negotiations if they were to intervene in the internal affairs of Poland. Poland must be free to decide its own future." U.S. Defense Secretary Caspar W. Weinberger told a brief news conference that he was "pleased" with the NATO ministers' statement, and said that fixing any date for exploring arms control talks with the Soviet Union would "depend entirely on Soviet conduct in the next few weeks and months." The United States has been under heavy pressure from its allies

As Pact Maneuvers End, Poles Speculate

By John Darnton New York Times Service WARSAW — For Poland, the news that the three-week-long Warsaw Pact maneuvers have ended is a strange and sudden loosening. But the developments, which came within hours of a notably moderate speech by Leonid I. Brezhnev in Prague, puzzles Poles and Western analysts who wonder what the show of force was intended to prove. That may have been part of its purpose — to keep the world, and especially Poland, uncertain and off-balance, guessing about Soviet intentions. There are several possible explanations. One is that the Soviet Union decided to move in militarily and then reversed itself. A second is that the exercises were contingency planning, to keep open the option of rapid intervention at the height of Poland's volatile crisis. A third is that intervention was not under active consideration and that the exercises were intended as naked pressure to influence events in Poland. There is merit in all of the theories. Some point out that the danger period is not necessarily over, recalling that the invasion of Czechoslovakia came in 1968 at a time when the crisis there seemed to have receded and only weeks after Soviet troops had been withdrawn. For this reason, Western diplomats will be watching closely to see whether the military framework for an intervention that was built up during the maneuvers is dismantled and whether the attacks in the Soviet-bloc press on the motives of the independent Polish labor unions and the resolve of the Polish Communist Party continue at the current strident level or taper off. For the last two weeks, Polish officials have maintained publicly that intervention was never a possibility. In private, they have largely stuck to the same line, although at times with less conviction. The reasons they cite are familiar but compelling. Poland is not Czechoslovakia. Intervention in Poland would mean war or something very much like it. The problem for the Kremlin is not a handful of maverick party leaders pushing the country in a liberal direction but a widespread de-



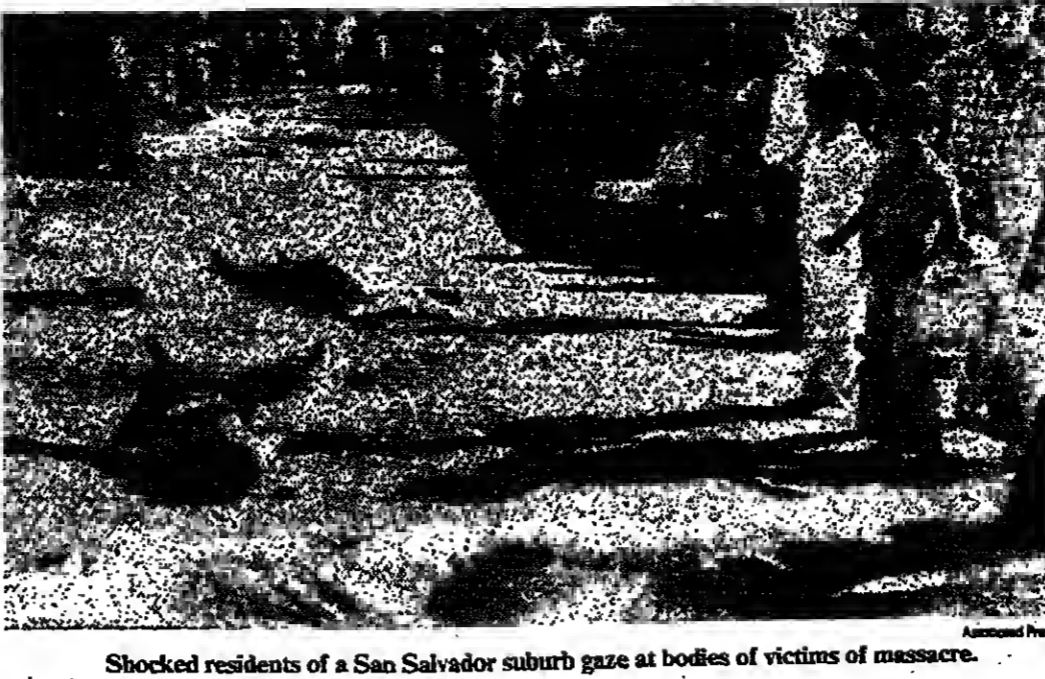
Salvador Military Says Massacre By Army Patrol Was Provoked

The Associated Press
SAN SALVADOR — The Defense Ministry has asserted that the massacre of 30 civilians in a San Salvador slum early Tuesday was provoked by firing on an army patrol. Witnesses say the victims were dragged from their homes and, if they resisted, were shot in front of their families.

Reporters visiting the Monte Carmelos slum district after the redrawn shooting counted 23 bodies scattered for 100 yards along a street. Residents of the area said seven persons were killed in their homes.

The bodies in the street were riddled with large-caliber bullet wounds. Blood had collected in small pools. Two houses were burned, apparently when they hit by hazooka fire. "It was the National Guard and the police," several residents shouted. "One of them said, 'It was horrible, indescribable.'"

According to an account given by a boy, men in uniform and civilian clothes drove into Monte Carmelos before dawn on Tuesday, and a masked man appeared and began pointing out houses, presumably those of people opposed to the civilian-military junta headed by President Jose Napoleon Duarte and backed by the United States.



Shocked residents of a San Salvador suburb gaze at bodies of victims of massacre.

Pentagon Wants to Set Up Command Center in Space

By Howard Benedict
 The Associated Press
CAPE CANAVERAL, Fla. — U.S. military specialists, anxious about the activities of Soviet military cosmonauts and killer satellites, are urging that President Reagan ask Congress to establish a command center in permanent orbit above Earth.

The Soviet Union has said that it expects to establish a space station, for 12 to 14 persons, by 1985. Two cosmonauts presently orbiting in the Salyut space station are stark reminders of their aggressive pursuit of this goal.

Mr. Reagan is said to be receptive to the idea and military planners are closely monitoring the first space shuttle mission. The Columbia shuttle, crucial to military space ambitions, is scheduled to be launched Friday.

Congressional space experts and Pentagon officials have told Mr. Reagan that the shuttle, used to all capability, would block the Soviet Union from seizing control of the ultimate "high ground."

Ex-Astronaut
 Sen. Harrison H. Schmitt, Republican of New Mexico, a former astronaut who heads the Senate subcommittee, wants Mr. Reagan to commit the nation to develop a large, permanent multi-national command center in orbit, using the shuttle to ferry up building materials, equipment and personnel.

Sen. Schmitt says the shuttle is superior to anything the Russians are developing and that a residential declaration that it will be used to help build and maintain military space station would demonstrate that "we're not going to allow the forces of oppression to dominate that new ocean."

Military astronauts could keep rack of troop, ship and aircraft movements; monitor missile deployment and testing; fly shuttle raft on test or repair missions; inspect potentially hostile satellites, destroying them if necessary.

The senator said he had hoped Mr. Reagan would announce his support for an orbiting space station following the shuttle's first flight — unlikely oow that the resident is hospitalized. Several weeks ago, Sen. Schmitt reported on his conversations with the resident had been "upbeat and encouraging."

"The president expressed a strong desire to expand our technical base to move the country away from the brink of nuclear war," Sen. Schmitt said. "In particular, he expressed an interest in the possibility of developing a laser defense against ballistic missile attack."

Ground-based lasers have been used to shoot down drone aircraft in Pentagon tests, but space tests of the shuttle are believed to be a few years away. Once perfected, such weapons could be mounted in an orbiting station, ready to destroy enemy ballistic missiles by striking them with laser flashes as they climb above the atmosphere.

For years the two superpowers have been using space for military purposes — orbiting satellites for surveillance, missile warning, communications, electronic eavesdropping and navigation. Two Soviet developments have been especially disturbing to the Defense Department: a man-in-space program

Trudeau Agrees to Meet With Premiers Over Canadian Constitutional Changes

The Associated Press
OTTAWA — Prime Minister Pierre Elliott Trudeau, in a surprise reversal, has agreed to meet with provincial government leaders next week to discuss possible changes in his plan to overhaul Canada's constitution.

Mr. Trudeau said Tuesday, however, that as the price for such a meeting the opposition Progressive Conservatives must cease the parliamentary delaying tactics that are blocking expected approval of the constitutional proposals.

Under Mr. Trudeau's plan, the British Parliament will be asked to give up its control of the British North America Act of 1867, which established the Canadian confederation, and surrender it to Canada to become its home-based constitution.

The British would first insert some final amendments, including a Bill of Rights and a complex procedure for deciding on a permanent amending formula for the constitution.

The governments of eight of Canada's 10 provinces oppose the plan, saying that Mr. Trudeau should have obtained unanimous provincial consent before acting. The prime minister decided on his unilateral approach last year after fruitless federal-provincial constitutional negotiations, the latest round in decades of talks that have failed because the two levels of government have disagreed over the sharing of power.

Premiers' Meeting
 The premiers of the eight dissenting provinces, who recently announced that they had reached agreement among themselves on an amendment process, said they would be meeting in Ottawa April 16 and challenged Mr. Trudeau to meet with them to discuss it.

Soviet Warning on Shuttle

MOSCOW (AP) — A senior Soviet space official warned Wednesday that use of the new U.S. space shuttle for advanced military missions could bring "tragedy for the whole world" and a new arms competition in space.

Lt. Gen. Vladimir Shatalov, director of Soviet cosmonaut training, cited U.S. reports at a press conference that the shuttle may be used for testing the use of new types of weapons. "Of course, if the United States and the Pentagon leaders take this road, it will be a great tragedy for the entire world," Gen. Shatalov said.

"It will mean a new spiral in the arms race, and certainly will bring the United States nothing, no advantages, except new enormous, colossal expenditures and more international tension," he added.

NATO View On Talks

(Continued from Page 1)
 to get down to business fairly soon with the Russians — largely to make the new nuclear weapons program more politically palatable to European public opinion.

Anti-nuclear lobbies are on the rise in the Netherlands, Belgium, West Germany, Britain and the Scandinavian countries. But the continued Soviet threat to Poland provides a fairly unarguable case for not rushing to the negotiating table.

"It's not a matter of fulfilling conditions — it's a matter of having an atmosphere in which talks can be effective, and if that atmosphere exists, then we have no hesitation about starting talks," Mr. Weinberger said. "We are fully agreed on the two-track nature of the NATO decision."

W. German Minister
 West German Defense Minister Hans Apel, whose government has been pressing for arms talks, said that he was "satisfied" with the position. Mr. Luns added: "We are talking about talks, but it also depends on the Soviet Union."

The new figure of 220 Soviet SS-20 missiles now deployed represents another big jump. Only a week ago at a special study meeting of arms control experts of NATO in Brussels, the U.S. assistant secretary of state for European affairs, Lawrence S. Eagleburger, used a figure of 200 missiles deployed.

The NATO communiqué noted that, with triple warheads, the 220 missiles already constitute more nuclear power than the planned NATO deployment of 572 missiles, which is still more than two years away.

As for Soviet leader Leonid I. Brezhnev's call for a moratorium on further nuclear deployment, reiterated Tuesday in his speech to the Czechoslovak Communist Party congress in Prague, the NATO ministers brushed it aside. They declared that the proposal "would not address the fundamental problem caused by the momentous buildup of Soviet arms" and that it would only perpetuate an imbalance unacceptable to the alliance.

Bani-Sadr Gets Summons Over Role in Violent Rally

Reuters
TEHRAN — Iran's prosecutor-general said Wednesday that President Abolhasan Bani-Sadr had been summoned to appear in court in connection with violence at a rally at Tehran University a month ago.

Ayatollah Musavi Ardebili, in an address on state radio and television, said: "When I heard today that a judge had sent a warrant summoning the president to court, I congratulated him because this was a judge who, in the execution of the law, did not consider anything but justice and righteousness."

The prosecutor's reference was the first public acknowledgment that Mr. Bani-Sadr had been summoned for questioning over his part in the university violence. At least 45 persons were injured on March 5 after the president invited spectators to disperse hecklers during a speech he was making on the Gulf war.

Two days ago Ayatollah Ardebili said that Mr. Bani-Sadr, Premier Mohammad Ali Rajai and chief government spokesman Behzad Nabavi would all be indicted for their roles in the incidents. No mention was made Wednesday of the two other men, both political opponents of the president.

Offer to Karai
 In another part of his address, Ayatollah Ardebili offered to grant legal recognition to groups that will pay for the materials and equipment already delivered for the other two plants but their revival will be postponed, according to reports from Peking.

The latest switch in Chinese policy coincided with an announcement that a joint oil-drilling operation has discovered oil at a test site in the southern part of China's Bohai Bay. A Tokyo official of the Japan-China Oil Development Corp. said the size of the deposit would not be known until further testing, but he asserted that judging from past drillings the discovery could be a rich one.

WORLD NEWS BRIEFS

Astronauts 'Ready' for Space Shuttle Flight
 CAPE CANAVERAL, Fla. — Cmdr. John W. Young and Capt. Robert L. Crippen arrived in Cape Canaveral Thursday, declaring that they were "ready to fly" the space shuttle Columbia into orbit on Friday.

"Bob and I are about ready to fly this thing; we're looking forward to the flight; we hope everything will allow us to go on Friday," Cmdr. Young, the mission commander said.

Capt. Crippen echoed Cmdr. Young's words, and said: "Columbia is in great shape. The launch team tells us it's almost ready to go." Indeed the space shuttle countdown and weather outlook were reported brightening for the scheduled launch. (An appraisal of the space shuttle program appears on page 6.)

Israeli Labor Party Wins Key Union Election
 TEL AVIV — Israel's opposition Labor Party appears to have helped its chances in the June 30 general election by retaining control of the powerful 1.5 million-member Histadrut Labor Federation with an increased majority.

Computer projections by Israeli media gave Labor 63 percent of the votes cast in Tuesday's election, an increase of nearly 6 percent over the 1977 election results. Prime Minister Menachem Begin's Likud bloc with 26 percent of the vote, was down 2 percent from its 1977 total, according to the projection.

Although Labor increased its edge in the union election, some commentators said that the Likud Party could be satisfied with the results. "With inflation running at over 130 percent, it was a remarkable achievement for the Likud to retain almost all of its votes in an election of trade unions and workers," one analyst said.

Soviet Exit Visas for Jews Dropped in March
 MOSCOW — The number of exit visas granted to Jews seeking to emigrate from the Soviet Union fell by nearly 50 percent in March following a sudden surge in February, according to figures obtained Wednesday.

The figures indicate that the decline in the number of visas, first noted after the 26th Soviet Communist Party Congress that ended on March 3, persisted for the rest of the month. A theory among Western analysts is that February's increase was designed to head-off protests during the congress.

Western sources with access to the latest figures said that 996 Jews received permission last month to emigrate — about the same as had been receiving visas each month since October, but only about half the 1,850 approved in February.

3 Gunmen Kill Policeman in Basque Region
 BILBAO, Spain — Three gunmen whom police identified as Basque separatists shot and killed a policeman Wednesday in the first killing since the armed forces sent more than 3,000 men to try to stem terrorism in Spain's northern Basque region.

Officer Vicente Sanchez Vicente was shot in the head and chest by three masked men after leaving his daughter at kindergarten in the Bilbao industrial suburb of Barakaldo, police said.

Bilbao police said the fact that Mr. Vicente was "a selected target" in civilian clothes indicated that the killers knew his daily routine. They said that other evidence made it almost certain the assassination was carried out by Basque separatists. The armed forces were sent to the area 10 days ago.

Turkey Reportedly Warns 2 Former Leaders
 ANKARA — Turkey's martial law authorities Wednesday issued fresh warnings to the country's top two former political leaders not to meddle in politics during the period of military rule, informed sources said.

Former Premier Süleyman Demirel and Bulent Ecevit were called to the Ankara martial law headquarters and reminded by the commander of the instructions they were given after last September's coup not to be involved in politics.

The sources said the authorities, who suspended all political activity and closed down the legislature after the takeover, were anxious to prevent any encroachment on the restrictions.

Deng Appeals for Improved Ties With India
 PEKING — Deng Xiaoping, the deputy Chinese premier, launched a major foreign policy initiative Wednesday by appealing for closer relations with India in a move that could undercut Soviet influence.

Mr. Deng met for more than an hour with Indian opposition leader Subramanian Swamy and said there was "no conflict of fundamental interests between China and India." Mr. Swamy said that Mr. Deng, who is the most powerful leader in China, had promised that Peking would send Foreign Minister Huang Hua to India shortly to discuss improving relations.

Marcos Names Premier After Winning Vote
 MANILA — President Ferdinand E. Marcos Wednesday announced his selection for premier under a new parliamentary system giving him near-authoritarian powers that was overwhelmingly approved by the voters.

Unofficial returns showed that more than 90 percent of the votes cast in Tuesday's plebiscite favored Mr. Marcos' proposed constitutional amendments. About half the 20 million votes had been tabulated after a relatively peaceful election day. Five persons were killed in election-related violence and five injured.

The election commission was scheduled to make a formal announcement of the balloting results on Saturday. Finance Minister Cesar Virata will then become the Philippines' first premier, assuming that a caucus upholds Mr. Marcos' selection.

East Germans Said To Support Military 'Solution' in Poland

By John Vinocur
 New York Times Service
BERLIN — Three of the most influential members of the Politburo of the East German Communist Party have argued for military intervention by the Warsaw Pact as the only certain means of resolving the Polish crisis, a Western official said.

The official, who has access to generally reliable accounts of the thinking of the East German leadership, said in Berlin Tuesday that the interventionists appeared to be counterbalanced within the Politburo by those who think the situation in Poland might still be resolved without military action.

But he said all the factions agreed that a "physical solution" to the growth of influence of the Solidarity trade union movement and the weakening of the Polish Communist Party was now unavoidable. According to the source, a "physical solution" meant a visit by tough-talking by the Polish Communist Party. This, he said, would likely involve such steps as arresting members of the Committee for Social Self-Defense, known as KOR, the dissident organization of intellectuals that many East European Communists consider to be the counterrevolutionary backing for the independent union movement.

Hard-Line Assertiveness
 The source identified the leaders of the interventionist group in the Politburo as Hermann Axen, a Central Committee secretary in charge of relations with other Communist parties; Gen. Heinz Hoffmann, the defense minister; and Gen. Erich Mielke, the minister for state security.

The Western official said that, according to the accounts he was receiving, Erich Honecker, the East German party chief, believes that more time could be given to the Polish party so that its hard-line elements might assert themselves. Mr. Honecker, the source said, had argued against intervention at a Moscow meeting of the Soviet bloc's Communist party chiefs in December; a position this is believed to coincide with that of Leonid I. Brezhnev, the Soviet leader.

The interventionists contended that action was necessary, the source said, because the Solidarity movement had such size and momentum that it could not be co-opted or reoriented by the weak Polish party apparatus.

Any stabilization of the role of Solidarity was also intolerable for

the interventionists, he said, because it would amount to establishing a precedent of a quasi-official opposition party. The interventionists were described as believing that, if East Germany has been able so far to seal itself off from a similar independent trade union, this defense would be impossible over the long term if Solidarity were accepted in Poland as a fact of life.

Ultimately, the official said, a decision to intervene militarily in Poland would belong to the Soviet Union, and East Germany would have to be aware of the position set by Moscow. There were some indications, however, that the Soviet decision to invade Czechoslovakia in 1968 was accelerated — or at least reinforced — through the support of the late East German party chief, Walter Ulbricht.

Another Western official with frequent contacts with members of the Politburo said that they appeared extremely gloomy and fully aware of the great consequences to East-West relations that intervention in Poland would bring. Somewhat paradoxically, he said, Politburo members continued to speak well of Stanislaw Kania, the Polish party leader, but they regarded the growth of Solidarity as intolerable.

"The people I've spoken with would like the Polish party to pull a rabbit out of the hat," the official said. "But no one seems to believe in their hearts that this will happen."

China Seeks Loan, Revives Japan Deals

(Continued from Page 1)
 such huge investments were contributing to inflation.

At first, there was no talk of compensating Japanese firms for canceled contracts, and learned businessmen in Japan suddenly began talking of pulling up of other planned contracts with Peking.

EEC Deadlocked
 On Assembly Site
 STRASBOURG, France — Member nations of the European Economic Community are deadlocked over a permanent site for the European Parliament, Dutch foreign Minister Christoph van Klauw said Wednesday.

The Dutch government has failed to resolve conflicting interests — which were raised at last week's EEC summit meeting — over the site for the assembly. Mr. van der Klauw told the Parliament in the Netherlands currently holds the presidency of the EEC Council of Ministers.

The Parliament's sessions alternate between Strasbourg and Luxembourg, while parliamentary committee meetings are held in Brussels. Last November the assembly's 2,000 Luxembourg-based staff members went on strike, calling on ministers to decide on a site by June.

Coach of Comaneci, Wife Defect to U.S.

(Continued from Page 1)
 Karoly's wife, a 7-year-old daughter, Andrea, who they said is being cared for by Bela Karoly's aunt in Romania.

Tuesday, the defectors asked the Romanian government to permit their families to join them. Romania's history of dealing with family unification after defections indicates that the Karoly's and Mr. Pozsar can expect to be reunited with their relatives in about a year.

Their dissatisfaction with the Romanian State Central Federation of Athletics' interference in their gymnastics program began shortly after their triumph in Montreal when the state took Miss Comaneci out of their school.

Shahi Plans Visit to U.S.
 Islamabad, Pakistan — Foreign Minister Agha Shahi will visit Washington April 20 for discussions with U.S. Secretary of State Alexander M. Haig Jr., the Foreign Office has announced. The United States is seeking to shore up Pakistan militarily to counterbalance the Soviet intervention in neighboring Afghanistan.

Poles Greet Softer Stand

(Continued from Page 1)
 fished two similar stories from its correspondents in London and Bonn, under the headline "The Plot Against Poland."

The report from London was based on an interview with historian David Hunt, author of a series of books on Nazi Germany, and said he told correspondent Vladimir Simonov that he headed an organization which was collecting funds for Solidarity.

The dispatch from the weekly's Bonn correspondent, Anatoly Frankin, said there was an alliance between Solidarity and the Russian anti-Communist emigre organization NTS (People's Labor Union).

In Poland, the PAP news agency said that Rural Solidarity leaders told a parliamentary commission they would never strike "because this would be a crime against nature."

However, about 50 farmers demanding, among other things, legalization of Rural Solidarity, continued a sit-in which was started March 16 at the headquarters of the Peasants Party in Bydgoszcz.

In his speech in Prague Tuesday, Mr. Brezhnev seemed to give the Polish Communist leadership another chance to control the unruly labor movement that has wrested much of the power from the ruling party.

"An extremely important element in the Soviet statesman's speech was the confirmation of the conviction... Polish Communists can counter the actions of enemies of Socialism, who are at the same time enemies of independent Poland," the Polish daily Zycie Warszawy said.

The Communist Party newspaper Trybuna Ludu said Mr. Brezhnev's speech "contained political and moral support for Poland's Communists," all Polish parties striving to overcome the current difficulties in our country in the spirit of Socialism and for the benefit of the nation."

Japan Offers Debt Relief
 TOKYO (Reuters) — Japan has offered to reschedule \$30 million of Poland's debts to Japan, now falling due, until June, Finance Ministry sources said Wednesday.

The Japanese offer was made at talks between Poland's Western creditor nations, which resumed in Paris Thursday to seek a global agreement on rescheduling part of Poland's debts, they said.

Labor in Britain Warns Socialist Group on SDP

BRUSSELS — European Socialist sources said the British Labor Party has threatened to leave the Socialist International if Britain's newly formed Social Democratic Party is accepted as a member.

The sources at the Confederation of Socialist Parties in the European community said Labor General Secretary Ron Hayward wrote to former Dutch Premier Joop den Uyl, president of the confederation, warning that the party would be unwilling to stay in the worldwide Socialist grouping if the British party joined.

Mr. Hayward said he regarded the Labor Party as the only Democratic Socialist Party in Britain.

Mr. Den Uyl said in a statement that the EEC Socialist confederation would accept the British Social Democrats as a member only if they were first allowed to join the Socialist International.

The sources said that if the British Social Democratic Party (SDP) applied to join either group the move could be discussed when EEC Socialist leaders meet in Amsterdam on April 28 and at a Socialist International meeting there the following day. The sources said the British Social Democrats had begun overtures toward members of the Socialist confederation, apparently with a view to membership, and recently had talks with the West German Social Democratic Party.

Mr. Karoly said that he would like to work as soon as possible in U.S. women's gymnastics. "We have a system that the three of us have developed," Mr. Karoly said. "We would like to offer that system here so that American women gymnasts can beat the Russians and the Chinese."

New St. Louis Mayor Youngest in Century

ST. LOUIS, Mo. — Vincent Schoenfeld Jr., a 34-year-old adolescent, has won a 2-1 victory to become the youngest mayor of St. Louis in more than a century. "I'm glad it's over and I'm glad I won," Mr. Schoenfeld told cheering Democrats.

The campaigns of Mr. Schoenfeld's campaign was a ploy to reopen the controversial Homer G. Phillips Center hospital, on the city's predominantly black north side, which had been closed as an economy move two years ago. Mr. Schoenfeld called his Republican opponent a "Chicken Little," saying that the city could not have a mayor "tramping around saying the sky is falling."

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Other Clouds Over NATO

The darkest cloud hanging over the NATO defense ministers' meeting in Bonn lifted slightly this week when the Warsaw Pact ended its military exercises on Polish soil and Soviet President Leonid Brezhnev expressed qualified confidence in the ability of Polish Communists to rebuff the enemies of socialism.

now. The Soviet conventional advantage, of course, will grow even larger. But that is only half the story. Secretary Weinberger and President Reagan are not the only ones with problems. A crowd of 400 anti-war demonstrators strung effigies of dead babies across the entrance of the West German Defense Ministry while Mr. Weinberger and his colleagues were meeting inside.

Back Into the Frying Pan

Anxious Poland watchers can start breathing again, but they will need to keep watching as well. The Soviet leader, Leonid Brezhnev, turned down the heat on Tuesday by affirming that Poland's own Communist leaders could defend "the honor and security of their country," presumably without any immediate need for fraternal assistance from Warsaw Pact troops.

when the union agreed to a negotiated compromise, averting the strike. That permitted Polish leaders to argue to Moscow that a real turning point had arrived and that their government was finally able to compel Solidarity to back down.

A Bazooka on Every Lawn?

It occurs to us that there may be some people — perhaps even a growing number — who are having difficulty understanding the logic of those in Congress who would do little or nothing about the handgun-and-heavy-ammunition trade in the United States.

rid of all the restrictions and let people arm themselves with whatever it takes? Why shouldn't the flamingo on the lawn be replaced with a bazooka? How about a tripwire machine gun at the top of the stairs to the bedroom? And if Mom feels more comfortable with a Saturday night special in her handbag, why should she be stopped for carrying a concealed weapon?

In the International Edition

Seventy-Five Years Ago April 9, 1906

Fifty Years Ago April 9, 1931

NEW YORK — Abraham White, president of the De Forest Wireless Telegraph Co., announces that a wireless message has been successfully transmitted from the station at Manhattan Beach here to the Glengariff station, County Cork, Ireland.

NEW YORK — Sature can be a guide to the progress of civilization. John Galsworthy, English writer, today told an audience at the Brooklyn Academy of Music. The general measure of civilization, said Mr. Galsworthy, is the estimated power of its individuals to appreciate satire at their own expense.



Moscow's War of Nerves

By James Reston

WASHINGTON — If Leonid Brezhnev, the Soviet leader, went to the Czechoslovak Communist Party conference in Prague to confuse the Reagan administration about his handling of the crisis in Poland he succeeded, at least in part.

about to be replaced by more reckless Polish Communists who would take on the formidable task of pacification. Washington is in a very suspicious mood about these mystifying tactical moves. The Russians have a way of ending one military maneuver and starting another — a new air exercise by Warsaw Pact forces is said to be planned for the next few days.

Old Rivals Edge Together

By C.L. Sulzberger

LE CASTELLET, France — When the two-round French presidential elections have ended — most probably with a narrow squeak re-election of President Valéry Giscard d'Estaing — many euphoric statements heard in France right now are likely to vanish before the juggernaut of statistics.

In NATO, although it will now rejoin the alliance's integrated command, it practices parallel planning. It also spends more on Atlantic defense than the other European allies, while at the same time modernizing its military forces.

Letters

Dutch and Taiwan

The Dutch government and parliament's decision to approve the sale of two submarines to Taiwan was welcome news to those who have awakened from their Chinese mainland dream.

respect and substance with the Chinese mainland. The People's Republic does not reciprocate. The Dutch must be commended, both for their realism and for their sense of justice in refusing to be mainland puppets.

Cosmic Surprise

George F. Will, in his article "Evolution of a Cosmic Surprise," (IHT, March 7-8) cites the opinion of an astronomer, John O'Keefe. And that is rather a "comic surprise."

Mr. O'Keefe finds us pampered, cosseted, cherished. Funny idea. If there is a Divine Purpose, it is certainly not in order to cherish us, poor chemical fermentations on the surface of a little stone, running like mad around a small star, the sun.

RUDOLF J. GARNER, Lucerne.

Herald Tribune

Staff list including John Hay Whitney (Chairman), Katharine Graham (Co-Chairman), Lee W. Hoesner (Publisher), and others. Includes address and subscription information.

Handwritten Arabic text at the bottom of the page.

Quality of Justice in France Is Disputed

Courts, Judges Accused of Serving Political Aims of Government

By Richard Eder
New York Times Service

PARIS — If King John had prevailed over the barons at Runnymede and fed the Magna Carta to his horse, would British judges now wear cylindrical hats, as French judges do, instead of wigs? And would the majesty of the law be replaced by the law of his majesty?

When French constitutionalists try to explain the particular "crochets" of their legal system to Britons or Americans, this is the kind of illustration that comes up. It is relevant, surprisingly, to the continuing debate in France over the administration of justice, with complaints that it is too repressive or that it too assiduously serves the political aims of the government.

Unlike King John, who lost to the barons and had to concede that royal power was subject to the law, thus setting a basis for the tradition of independent justice, the French kings defeated their barons. The French judge, with his regal round hat, is part of the majesty of the state, not an outside check upon it.

The French both accept this idea and balk at it. The consequence is that justice and the courts are a favorite dispute topic in the press, ranking somewhat lower than the present fever of presidential politics but higher than the rate of unemployment.

It feeds the naive suspicion of the French that not only does the government cast covetous eyes upon their income, keep them from parking their cars where they like and manipulate their television programs, but it fiddles with the independence of their judges and prosecutors as well.

During the last year or so, several contentious issues have come up.

There was the failure of the government to

carry forward an investigation of the bugging of the offices of Le Canard Enchaîné, the satirical weekly that is its most troublesome press critic. There was the decision to prosecute Le Monde on charges of disrespect to the courts. There was the passing of a law changing the procedure in criminal cases in such a way as to give marginally more power to the prosecutors — who are under direct state control — and slightly less to the more independent examining magistrates. The law tightens things up in other ways: It increases the power of the police to bold suspects and impose identity controls.

There was the removal of a young leftist judge after a judicial panel concluded that his behavior was unprofessional. There was the use of the special Court of State Security to hold, on suspicion of acting as a Libyan agent, a man who had threatened to publish details about allegedly unsavory dealings between President Valéry Giscard d'Estaing and Jean-Bedel Bokassa, the deposed Central African emperor.

Old Complaint

To the degree that these things have caused controversy — legal critics take more seriously than others — the central thread is the accusation that the government is manipulating the judicial system for two purposes. One is an alleged concern to protect itself in certain potentially embarrassing cases; the other is the decision to take harsher measures against crime, a policy that seems to be politically popular but may, in the view of critics, infringe on civil liberties.

The complaint that the French judiciary is under the thumb of whatever government may be in power is scarcely new. According to legal historians, it is a complaint that goes

back for centuries — at least to the time of Louis XIV, whose ministers centralized the legal system, subordinating local and church law to that emanating from the royal court.

"Si veut le roi, si veut la loi" — as the king wills, so the law wills — is an old saying of ours," Robert Badinter, a leading criminal lawyer and legal writer, said recently. "All legal authority stemmed from the king, and under the republic the political authority simply replaced the king."

"It was the other way around for Anglo-Saxon law," he said. "Magna Carta was obtained by the barons from King John. From then on there was the tradition that the king operates under the law, that power goes from the bottom up, even if at first the bottom was a few powerful barons."

During the French Revolution there was a brief effort at radical change by the disciples of Montesquieu, who favored rebuilding the French legal system on English models. Napoleon restored the notion of hierarchical control, and it has been more or less unshakable ever since.

This traditional supremacy of the government over the judiciary, although not absolute, has had the effect of making the judiciary less venerated in France than it is in Britain or the United States.

Mr. Badinter, aside from being a legal analyst, is also a partisan. He is an adviser to the Socialist presidential candidate, Francois Mitterrand, and a severe critic of Mr. Giscard d'Estaing.

The efforts of Mr. Giscard d'Estaing's government and particularly of its justice minister, Alain Peyrefitte, to get the judges to take a harder line, are probably popular. Polls show that the French are less worried about an increase in repression than about an increase in crime.

Tax Cut Backed for U.S. Citizens Abroad

By Robert C. Siner
International Herald Tribune

WASHINGTON — Action to ease the tax burden of Americans abroad drew strong bipartisan support in the House Ways and Means Committee as the panel took testimony on proposals to reduce or eliminate U.S. taxation of overseas income.

"I agree with you completely," Democratic Chairman Dan Rostenkowski of Illinois told a witness who had just testified that the current tax laws were destroying the competitive position of American industry overseas and damaging the U.S. economy.

He was echoed by ranking Republican Barber Conable of New York and Rep. W. Henson Moore, Republican of Louisiana, and Rep. Donald Pease, Democrat of Ohio, during later questioning on Tuesday.

In that questioning, committee members one after another described the 1976 law that increased the taxes of Americans overseas as a disastrous mistake and the Foreign Earned Income Act of 1978, designed to remedy the earlier legislation, as a total failure.

And, in a reflection of the wide consensus that has developed on the issue, the committee members debated not whether taxes on Americans abroad should be cut, but by how much.

Rep. Bill Archer, a Texas Republican, has introduced legislation that would allow a \$75,000 income exclusion rising in \$5,000 yearly increments until it reaches \$95,000 in 1985, plus a deduction for housing costs in excess of \$5,500. He told the hearing that even though he personally believed that the earned income of overseas Americans should be completely exempt from tax, "a complete exemption is not politically realistic."

He insisted that his bill was

probably the most that could be achieved.

But Rep. J.J. Pickle, Democrat of Texas, who co-authored the bill, disagreed, adding that he did not believe a total exemption would be that much greater in cost. He was joined by Rep. Bill Frenzel, Republican of Minnesota, the chief sponsor of a bill that would totally exclude the earned income of Americans abroad from U.S. tax.

"A total exclusion is needed now," Rep. Frenzel declared.

"People who earn more than \$75,000 also face foreign competition."

He pointed out that high-income Americans were the ones most needed, since they made the sales and negotiated the contracts that were ultimately responsible for hundreds or even thousands of other Americans being hired for jobs abroad.

Rep. Sam Gibbons, Democrat of Florida, said he was troubled by the possibility of abuse inherent in a total income exemption. He noted that a few flagrant abuses by actors in the 1950s had brought on the original legislation mandating taxation of Americans abroad, and added that he was worried that new abuses by movie actors might revive the problem.

The current Section 913 special deductions with an exclusion from U.S. taxation of 80 percent of the foreign source earned and unearned income of Americans who are bona fide residents of a foreign country or who reside abroad 330 days out of 12 months.

In remarks on the Senate floor, Sen. Moynihan noted that his bill was both simple and would eliminate the need for Congress to make the periodic adjustments for inflation that would be part of any set amount exclusion. He told the Senate that an American living abroad does not "make the same use of the federal government and its services as a citizen who lives in this country; therefore, he should not have to pay as much tax."

Opening the testimony, Maury Mosier, president of the National Constructors Association, told the panel: "We're using our own tax laws to cook our own goose in foreign markets. And you don't get any golden eggs from a cooked goose."

Robert Angarola, testifying for American Citizens Abroad, a Geneva-based citizens group noted that by forcing Americans home from overseas, the United States was losing "the best vehicle possible for promoting and protecting the many interests of the United States in social, political, cultural, and ideological spheres."

Alfred Jensen, Abstract Painter, Dies of Cancer

New York Times Service

NEW YORK — Alfred Jensen, 77, a painter who sometimes used numerical systems as the basis for his art, died Saturday of cancer at a nursing home in Livingston, N.J.

A major show of Mr. Jensen's canvases, highly textured abstract structures of color laid down in patterns — mazes, checkerboards, wheels and targets — was organized in 1977 by the Albright-Knox Art Gallery in Buffalo, N.Y. The artist had exhibited in New York since 1952, and his works are owned by major museums in the United States, Europe and Japan.

A native of Guatemala, Mr. Jensen came to the United States in 1924. In the forefront of the American avant-garde movement and the New York School, he became friends with such artists as Sam Francis and Mark Rothko, and began to participate in shows with Franz Kline, Joseph Cornell, Willem de Kooning, Robert Rauschenberg and others.

Congressional sources and observers close to the issue said that there was a 50-50 chance that the Frenzel approach would be adopted by the committee and the House but much less chance that it would survive in the Senate. But they noted that this was a far cry from the situation two years ago when a total exemption would have been dismissed out of hand.

There are now eight bills before Congress that deal with the taxation of Americans abroad. The latest, introduced last week by Sen. Daniel Patrick Moynihan, Democrat of New York, would replace

'Moonies' Appear Content Despite Loss of Britain Suit

United Press International

LONDON — "It's the age-old story of religion. You attack it, you like it stronger," says a spokesman for the Rev. Sun Myung Moon's controversial Unification Church, which has lost a major libel suit in the British high court.

The Moonies do not appear too happy about losing their libel suit against the London Daily Mail last week, even though it had cost them more than \$1.6 million in court costs.

The publicity surrounding the case has put the church in the public eye. "We are getting a lot of inquiries, and people are showing a great deal of sympathy," said spokesman David Fraser Harris.

The Charity Commission has recommended by the court that the church be fined £100,000 for an English libel action, and at the end made little secret of its distaste for the group.

That ruling, however, is under consideration, according to a statement released Tuesday by chief Charity Commissioner George Fitzgerald. Mr. Fitzgerald said earlier held a meeting with a group of five members of Parliament led by Conservative David Teller, who said that the decision to allow the Moonies charitable status was "eccentric and worrying."

"The Daily Mail was telling lies about us, and we wanted to contest them up to the hilt," said Mr. Fraser Harris.

The Moonies produced a parade of witnesses who testified to the merits of their disciplined, community life. The Mail brought forward young people who had broken away from the church and parents shattered by the loss of their children to Rev. Moon's worldwide organization.

Said one father about his 20-year-old son: "I can only tell you that he's a zombie, dehumanized it seems to me... incapable of giving or receiving any affection. Capable only of repeating endless slogans."

The jury listened to evidence for 100 days, and for an English libel action, and at the end made little secret of its distaste for the group.

big business church. But it also expressed "deep sympathy for the young, idealistic members of it."

Even Mail editor David English acknowledged the Moonies offer something that has gone out of modern society — "discipline, civility, rigidly enforced, the advantage of owning no possessions and the comfort of a close community life."

Cause Questioned

He said there could be no arguing with this if it were for a good cause.

"But no one seeing the brainwashed and conditioned youngsters — zealots and helots — working without self-thought for the greater glory of their luxury-loving savior, the Rev. Sun Myung Moon, could possibly believe there was any good in his monstrous organization," Mr.

English wrote. "The ruthless exploitation of such talented young people is criminally wasteful."

In Britain, the church counts 500 native members and up to 400 members from other countries. It runs a farm, a fishing fleet, a publishing operation and other businesses. Its London headquarters in the former Norwegian embassy is the communal home for about 70 members, including Mr. Orme.

Mr. Fraser Harris denied that the church divided families. He said it did try to protect converts from parents who made clear their hostility toward the church because of the danger they would try to have their children deprogrammed.

"We call this faithbreaking," he said. "Parents fail to understand their children's commitment. It was the same in the early Christian church."

U.S. Civil Rights Act at Issue in Congress

By Eleanor Randolph
Los Angeles Times Service

WASHINGTON — In the opening skirmish in what may be a bitter battle, Sen. Edward M. Kennedy, Democrat of Massachusetts, has introduced legislation to extend key enforcement provisions of the 1965 Voting Rights Act until 1992.

The move Tuesday set the stage for a confrontation between those who contend that the law is the cornerstone of voting rights for minorities and a group of Southern senators and congressmen who maintain that it aims unfairly at states in the Deep South.

"This landmark legislation is again imperiled," said Sen. Kennedy, co-sponsor with Sen. Charles McC. Mathias Jr., Republican of Maryland, of the legislation in the Senate. "The most successful modern civil rights law is in danger of falling victim to its own success."

Rep. Peter W. Rodino Jr. of New Jersey, Democratic chairman of the House Judiciary Committee, introduced the legislation simultaneously in the House.

Sen. Strom Thurmond, the South Carolina Republican who took over from Sen. Kennedy as chairman of the Senate Judiciary Committee when the Republicans won control of the Senate in November, is a leader of those who charge that the law, as currently written, discriminates against the South.

Sen. Thurmond said that Deep South states "have to run up here [to Washington] hat in hand to change any title rule on their elections" because of the law. "They ought to be allowed to prove they're not discriminating against anybody, or if they are going to keep that in the law, then let the rest of the states come in, too."

CIA Director William J. Casey said "a coterie of Americans devoted to the destruction of U.S. intelligence agencies has caused 'untold damage' by naming names of CIA officers throughout the world. He asserted that the 1975 slaying in Athens of CIA station chief Richard Welch and incidents within the last year in Jamaica and Mozambique could be attributed to unauthorized disclosures.

Minority Leader Robert H. Michel of Illinois voiced his agreement in prepared testimony promising strong bipartisan support.

The measure would make it a felony to disclose details identifying covert agents even if the information comes from public documents. It was held up last year amid debate over its constitutionality and efforts to exempt some revelations such as those that might be involved in news reports of intelligence failures or abuses.

Worthwhile Victory

The Daily Mail — which risked economic disaster in taking on the immensely wealthy and powerful church when it could have settled out of court for an apology and a few thousand dollars — said it had never won a more worthwhile victory.

"We believe the Moonies to be evil cult," the newspaper said. The methods it uses to brainwash impressionable youngsters and alienate them from their families are ruthless and sinister."

Dennis Orme, 42, the Moonies' leader in Britain, sued the Mail for series of articles accusing the sect of brainwashing its converts and forcing them to turn their backs on their families. Mr. Orme already had won a public retraction of similar allegations by a former member of Parliament, Paul Rose, and early imagined he had a strong case.

Court Allows Sale of Car Museum To Pay Off Brothers' French Debts

The Associated Press

MULHOUSE, France — A court Wednesday authorized the sale of the world's second-largest museum of antique cars — the fabulous Schlumpf collection of 437 Bugattis, Rolls Royces and other classics — to pay the debts of its bankrupt founders.

In its ruling, the court decided that the collection, already classed as a national monument, should be kept intact. It gave an association of local government bodies three months to pay 80 percent of the 44 million francs (about \$8.8 million) price that it set for the museum.

The owners of the collection, the Swiss brothers Hans and Fritz Schlumpf, have tried to fight the sale from self-exile in Basel, Switzerland, after their textile firm in eastern France collapsed in bankruptcy in 1976. But they have not renewed an offer to pay off their debt of 44 million francs.

On the basis of a survey by British auctioneers, they maintain that the collection is worth nearly 10 times the figure fixed by the court. It is second in the world only to the antique-car museum of the late Bill Harrah in Reno, Nev.

The Schlumpfs built up their collection in secrecy, having all the cars restored to perfect running order and displayed in a vast museum building. The building, which they dedicated to their mother, was lighted by 800 replicas of antique lamps.

But before they could open the museum, their business collapsed in the general decline of the French textile industry. Union members occupied the museum

Sections at Issue

At issue are sections of the act that require states that have been discriminatory in the past to get federal approval for any change in their election laws. More than 25 states — including Alaska, California and New York — have been affected by the law, but most of those subjected to federal oversight are in the South.

Although the key enforcement provisions of the 1965 act do not expire until next year, Sen. Mathias said that congressmen concerned about assaults on the civil rights legislation of the 1960s wanted to take their case to the American people early.

"If you want an assessment about what lies out here in the new Congress [for the voting rights extension], it's rough duty," said Sen. Lowell P. Weicker Jr., Republican of Pennsylvania, who attended a press conference with Sen. Kennedy, Sen. Mathias and others. "It's everybody's fight, but I'm just glad the first shot was fired by us."

J.S. Arrests 13 of Moon Church in Visa Violation

Washington Post Service

WASHINGTON — Immigration and Naturalization Service investigators have arrested 13 members of the Rev. Sun Myung Moon's Unification Church in an early morning raid on a Bethesda one and charged them with oversteering their tourist visas, a deportable offense.

The six women and seven men, two are from 11 different countries, are accused of overstaying their visas by anywhere from a few months to several years. Wallace L. Gray, director of the Baltimore office of the Immigration Service, said Tuesday that his office will attempt to deport all 13.

The 13 are from France, Spain, the Netherlands, West Germany, Japan, Malaysia, Ireland, Canada, Austria, Italy and Australia.

An INS spokesman Tuesday described the tactic of gaining entrance to the United States as tourists and then melting into the general population as a common one of Unification Church members. He said that since 1973 more than 1,000 other members of the church have been arrested by the INS for visa violations.

But David Carliner, a Washington immigration attorney representing the 13, denied Tuesday that they were overstays. While he had been in the country since 1972, he said most of the 13 entered the country last fall on three- to 15-day tourist visas, then applied for six-month extensions. None of those extensions has been acted upon, he said.

Homes of Blacks, Whites Robbed Almost Equally, U.S. Report Says

United Press International

WASHINGTON — A Justice Department report says 30 percent of all U.S. households were touched by crime in 1980, with race having little to do with who was victimized.

The report by the Bureau of Justice Statistics said Tuesday more than 24 million households experienced crime firsthand in 1980, including 6 percent that were touched by a violent crime.

The report said black and white households were victimized to an almost equal degree, around 30 percent. "Black households were slightly more likely to have been burglarized or to have had a member victimized by violent crime," the report said.

"White households, on the other hand, were slightly more likely to have had a member who had been a victim of personal larceny without contact."

On the whole, the report said, patterns for blacks and whites were "remarkably similar," a characteristic also true for households composed of other racial groups. While crime has risen every year since the bureau started its annual National Crime Survey in 1974, the proportion of American households victimized by crime has remained about the same, the report said.

House Leaders Support Bill to Shield U.S. Spies

Washington Post Service

WASHINGTON — House Democratic and Republican leaders have joined in urging swift passage of a bill that would make it a crime to disclose the names of CIA or other undercover U.S. intelligence operatives working abroad.

In an opening hearing on the bill by the House Intelligence Committee on Tuesday, Majority Leader Jim Wright of Texas said that he hoped the proposal would not fall by the wayside as it did last year when "some people found reason to drag their feet." He protested that the country has tolerated "abusive disclosure... by rogue agents" long enough.

Minority Leader Robert H. Michel of Illinois voiced his agreement in prepared testimony promising strong bipartisan support.

The measure would make it a felony to disclose details identifying covert agents even if the information comes from public documents. It was held up last year amid debate over its constitutionality and efforts to exempt some revelations such as those that might be involved in news reports of intelligence failures or abuses.

CIA Director William J. Casey said "a coterie of Americans devoted to the destruction of U.S. intelligence agencies has caused 'untold damage' by naming names of CIA officers throughout the world. He asserted that the 1975 slaying in Athens of CIA station chief Richard Welch and incidents within the last year in Jamaica and Mozambique could be attributed to unauthorized disclosures.



Cornelis Verolme
NEW YORK (NYT) — Cornelis Verolme, 80, a marine engineer who became one of the Netherlands' principal shipbuilders, died Sunday at a Rotterdam hospital.

Mr. Verolme was head of the Verolme United Shipyards. The shipyards grew out of a marine engine repair and manufacturing company that Mr. Verolme established in 1946 with his personal savings of \$10,000. In 1968, when his corporate annual sales were running at about \$350 million, he was losing "the biggest competitor, the Netherlands Drydock and Shipbuilding Company of Amsterdam."

However, his involvement with supertankers ran into financial difficulties and the government stepped in, merging the Verolme organization with Rijnschelde, then the country's second-largest shipbuilder. Mr. Verolme served briefly as the new corporation's chairman, then retired in 1970.

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A U.S. View of the Troubled Space Shuttle: Has the Nation Lost Its Technological Touch?

After a series of problems, the U.S. space shuttle Columbia is apparently ready for launching at last. The following article is an analysis from the U.S. point of view of the spacecraft's floundering development, and of the questions the space program raises: Has the United States lost its technological touch? Can a successful flight by Columbia regain it?

By John Noble Wilford

New York Times Service

CAPE CANAVERAL, Fla. — So much rides on the "fires" of Cape Canaveral, the explosions of energy that overcome gravity and push tons of crafted metal high into the sky and out of sight into the infinite frontier known as space. The fires are a sort of testing. Twenty years ago, in the humiliating aftermath of Sputnik, Americans looked to the fires of Canaveral for a sign that they were equal to their Soviet adversaries in the new technology of space flight. Eight years later, we were counting on the fires of Canaveral to show the world and ourselves that we were more than equal to the Russians. And so, in July, 1969, rockets roared to life and carried two men to the surface of the moon, while a third waited in a mother spaceship to return them to Earth.

Today, we have reason once again to look to the fires of Canaveral. Preparations have been under way for several weeks at Cape Canaveral's Kennedy Space Center to propel the space shuttle Columbia — unlike any other spaceship ever built — off on its maiden orbital voyage, with two astronauts at the controls. (Although it is scheduled to lift off this week, the space shuttle has been plagued by delays and accidents and may be postponed yet again.)

A kind of hybrid, the huge winged vehicle will take off like a rocket, maneuver in orbit like a spacecraft and return to a runway landing like a powerless airplane. After some refurbishing and refueling, it will become the first reusable spaceship, and, with sister ships, should be hauling orbital freight — new satellites, replacement parts for old ones, laboratories for scientific research, components for assembling large space stations — for the rest of the century.

Deeper Spirit

The idea of sending a human being hurtling off into an alien sky is no longer so frightening or novel. Nor will there be the same sense of history that attended the launching of Apollo 11 to the moon. But circumstances have conspired to burden the flight with an importance beyond its immediate objectives.

This time, it is almost as though we are counting on Columbia to show us that we are the equal of ourselves, the equal of our own traditions, of our own images of present and future. It is as though the fires of Canaveral will be testing anew not only a traditional commitment to technology and science, but also, really, a deeper spirit of adventure and frontiersmanship.

We grew up believing in our special gifts of mechanical ingenuity. We were a nation of inventors, Whitney, Edison, the Wright brothers and their venerated kind. What has become more troubling to the national psyche has been not the realization of technology's dark side. Rather, it is that our technology does not seem to work as well as we used to think. Automatics are recalled because of defects; cities are



Commander John W. Young, left, and Navy pilot Capt. Robert L. Crippen check out controls aboard the Columbia, the U.S. space shuttle set to be launched on Friday.

blacked out by power failures; arena roofs collapse; design flaws ground a fleet of jetties; a nuclear plant breakdown causes near panic; even the helicopters for the attempted hostage rescue mission fail. Have we lost, we ask, the technological touch?

Columbia was a long time reaching this moment of testing. The National Aeronautics and Space Administration once thought that the first shuttle would be ready for flight in 1978, then 1979. The agency, flush from its Apollo triumphs, may have underestimated the difficulties of building a reusable space plane. The orbiter's main engines proved to be the greatest technological challenge. They had to operate at pressures three times higher than the Saturn moon rocket's engines, and in ground tests they had the distressing habit of cracking or catching fire.

Then, after the engines were redesigned and retested, NASA encountered the peakiest of problems — application of the 31,000 thermal-protection tiles that cover much of the orbiter's aluminum skin. These delicate silica tiles replaced the heat shields of previous spacecraft, which were inappropriate for a reusable vehicle because they charred and flaked off during the intense frictional heat of re-entry. But some of the tiles fell off during Columbia's shipment from the Rockwell International plant in California to Cape Canaveral, and nearly all of them had to be reinforced and rebounded, a task that largely accounted for the launching delays of the last year.

Public Image

In the public mind the shuttle was being lumped with all the other things that were not working. It was either a lemon or a bangor quena, an inspired creation that never seemed to get off the ground. And all the delays and redesigns were costing money. NASA had won

approval for the project on a pledge to build and test the first two orbiters at a total cost of \$5.2 billion in 1971 dollars. The project is now expected to cost nearly \$10 billion, or even more by some estimates.

But now, the first shuttle appears to be ready. John W. Young and Capt. Robert L. Crippen of the Navy plan to pilot Columbia on a 54½-hour, 36-orbit test run, taking off at Cape Canaveral and landing at Edwards Air Force Base in the Mojave Desert of California. It will be the first time that U.S. astronauts have gone into space in six years. If all goes well, Columbia will be put through its paces again in about five months and then twice more before it is finally cleared for regular flight service, probably toward the end of 1982.

Standing in the Kennedy Space Center firing room during the countdown for a Columbia engine test in February, Leroy E. Day, director of shuttle systems engineering, said with a sense of relief: "It's been quite an experience watching things go from two dimensions on paper to three dimensions in hardware." Then, noting that many of NASA's leaders are reaching retirement age, having been in their jobs since well before Apollo, Mr. Day remarked: "This will be sort of our legacy to NASA's next generation."

How fully and wisely the legacy will be used, assuming Columbia's success, is by no means certain. The United States will possess a revolutionary means for space travel, but to what ends?

NASA developed the shuttle without a detailed long-range program for its use, only some dreams and schemes that were forever being pushed aside in the face of the repeated budget cuts. In fact, during the decade of shuttle development, NASA was expressly forbidden to commit itself to any specific major projects for using the shuttle's special capabilities.

Not that the shuttles will want for business when they start flying. NASA reports that it already has commitments for cargo on the first 60 or so shuttle missions. About one-third of these missions have been reserved by the Air Force for deploying its communications, navigation, weather and surveillance satellites. Most of the other future missions have been spoken for by domestic and international communications operators, the one big profit-making industry in space.

Even though these activities promise the surest short-term return on investment, the shuttle is for them little more than a presumably more efficient substitute for conventional expendable rockets. This would not advance the space enterprise much beyond its by-now-traditional pursuits.

One exception is the giant space telescope, which is supposed to be deployed in Earth orbit by the shuttle in 1985. This 96-inch telescope, operating high above the distorting effects of the atmosphere, should enable astronomers for the first time to see any planets around nearby stars, to observe objects 100 times dimmer than those that can be seen through ground-based telescopes and perhaps to detect light emanating from the very edge of the visible universe. Not only would the telescope be larger than anything that could be launched by conventional rockets, but its orbital lifetime should extend into the next century because of periodic visits by shuttle astronauts bringing up replacement parts and fuel.

So far, however, scientific space exploration has generally been more hurt than helped by the shuttle. Its development costs siphoned off money that might have gone to new scientific projects, and its many delays caused costly postponements in those few projects that were initiated.

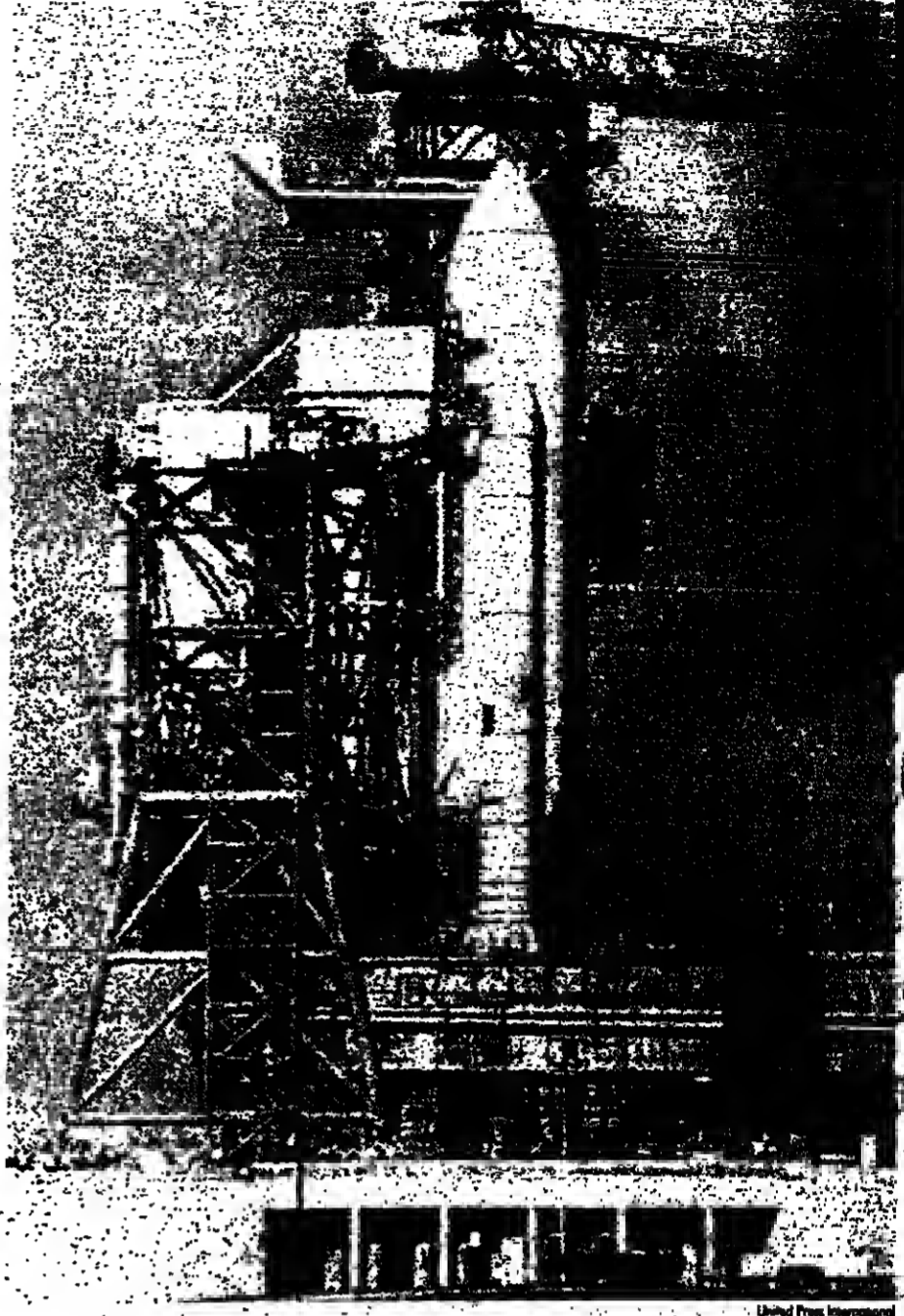
Planetary exploration was hit especially hard. After a decade of such spectaculars as the Viking landings on Mars and the Voyager flybys of Jupiter and Saturn, there will be no new U.S. launchings to the planets for five or six years — chiefly because of the shuttle's money drain — unless the success of the project does prompt a reordering of national budget priorities.

Budget-Cutting Lumps

When Ronald Reagan was elected president, NASA leaders were hopeful that he might see in an expanded space program a means of fulfilling his campaign promises to revive U.S. technology and restore U.S. prestige. So far, however, NASA has had to continue to take its budget-cutting lumps along with everyone else.

In the Bulletin of the American Academy of Arts and Sciences last May, Dr. Richard Goody and Dr. Michael McElroy of Harvard University and Dr. Philip Morrison of the Massachusetts Institute of Technology wrote that military and civilian applications of space technology in near-Earth were "worthy and productive" but do not "offer that inspirational view of ourselves and our future that could provide the motivation for the dazzling achievements in innovative engineering that have characterized the space program."

They added that "no fundamental principles of physics, no short-term biological issues and no questions of sound engineering practice appear to stand in the way of proposals for the construction of space colonies, the return of raw materials from space to Earth or the ex-



The countdown continues for the launching of the space shuttle.

traction of almost unlimited energy from the sun."

To embark on some ambitious, long-range thrust in space would require a commitment to the future that has been lacking in the last few years. Some would undoubtedly oppose any larger effort in space in any case, as they opposed Apollo, on the grounds that it represents "misplaced national priorities." But the inertia of our pessimism may be a stronger force militating against a real commitment to explore outer space. Dr. Leo Marx, professor of American cultural history at MIT, says that pessimism is running so deep that "people are kidding themselves" if they think that Columbia's success would have any impact on the national mood.

Yet, we are a space-faring people who, in all likelihood, are going to make ourselves at home in space some day, and there may be more support for getting on with the task than has been assumed in recent years. Although we have our doubts about technology, which are often justified, we continue to look to technol-

ogy to improve our lot. Nor are we as anti-science as many scientists have feared. Science magazines and television programs are finding expanding audiences; Carl Sagan's television series, "Cosmos," was one of the most popular programs ever run by the Public Broadcasting Service, and the book based on the series is a best seller.

We still respond to frontiers; it seems, and as hard as we are on ourselves, in our time of pessimism, we need not believe that we have lost the acuteness and inquisitiveness of our national youth. We may have been slow to recognize space as a frontier because it is so unlike the old frontiers. The major difference noted by Dr. Bruce Mazlish, an MIT history professor, in the autumn issue of *The Wilson Quarterly*, is that in space there are no flags and fauna, no people to conquer or convert. Still, a leap into space, Dr. Mazlish said, can be justified because "it is man's destiny continually to test himself against the unknown, to know himself by his exertions." This, in the deepest sense, is the testing of ourselves in the fires of Cape Canaveral.

Angry U.S. Taxpayers Focus on Food Stamps

By Steven V. Roberts

New York Times Service

WASHINGTON — The food stamp program is one of the largest and probably the most visible of all U.S. government support programs. It is also one of the most popular targets of troubled taxpayers and politicians aiming to reduce the size of government.

"Every time you see someone in the checkout line using food stamps, and you're not, you've been lobbied against the program," said John R. Kramer, special counsel to the House Agriculture Committee. "It's out in the open in every supermarket every day."

In a recent New York Times-CBS poll, the food stamp program was rated the most unpopular social welfare program by a wide margin, and it is one of the prime targets of President Reagan's budget-cutting effort.

Under current provisions, food stamps would cost the government \$12.47 billion for about 22 million recipients in the 1982 fiscal year, up from \$10.95 billion in the current fiscal year, which ends Sept. 30. The president's package of proposed reductions would cut the 1982 figure by \$1.82 billion, according to his original estimates. The Congressional Budget Office now estimates the saving at \$1.5 billion, but under any projection, the changes would amount to major surgery on the program.

Viewed as Runaway Program

To opponents, food stamps are a classic example of a runaway federal program. In his budget message to Congress, Mr. Reagan asserted that, while the program's original purpose had been "to ensure adequate nutrition for America's needy families," it was now functioning as "a generalized income-transfer program" unrelated to nutritional need.

The president said that his proposal was "in accord with the administration's efforts to target assistance to the most needy families and to restrain the uncontrolled growth of entitlement spending."

In addition, the program is regularly denounced as a breeding ground for fraud and abuse. William Shaker, executive director of the National Tax Limitation Committee, a private advocacy group, told the Senate Agriculture Committee, "Food stamps score right at the top of the list in terms of misspent federal funds."

Supporters reply that the food stamp program ranks as one of the most effective efforts to combat hunger and poverty in recent years. They regularly cite a study sponsored by the Field Foundation that reported last year, "There are far fewer grossly malnourished people in this country today than there were 10 years ago." Food stamps, combined with other nutritional programs, "have made the difference," the report asserted.

Food stamp rolls have swelled, the supporters add, not because recipients are abusing the program but because the deteriorating econo-

my has made more Americans dependent on outside aid.

"The short explanation for the program's growth is that it works," said Nancy Amidei, executive director of the Food Research and Action Center, a nonprofit law firm and lobbying group.

The food stamp program began as a pilot project in 1961 under an executive order signed by President John F. Kennedy. Its twofold purpose was to feed the needy and use up surplus farm products, and in the beginning it served 140,000 people at a cost of \$13.1 million.

The program was enacted into law in 1964, but states were given wide latitude in deciding how to dispense food stamps, and at first many did not participate. Only 425,000 people were served that year, at an outlay of \$30.5 million. As the program became more publicized and more accepted, the rolls increased to 2.9 million beneficiaries in 1969.

Hunger in America

Meanwhile, in 1967, the Field Foundation sponsored its original study of hunger in America, a document that pressed Congress to confront the problem. In 1970, amendments to the original law established a uniform national scale of benefits and indexed them to inflation. As a result, the number of recipients, and the annual bill, expanded with explosive force.

But as the program grew, so did complaints. Thousands of college students signed up, and to some critics, it appeared that food stamps were fueling the iconoclastic culture and radical politics of the nation's youth.

The legend of the so-called "welfare queen," a heavy woman driving a big white Cadillac and paying for thick steaks with food stamps, became a rhetorical staple for conservative politicians, including Ronald Reagan.

The criticisms were effective, and in 1977 and 1980, major changes were made in the law, eliminating several million potential beneficiaries. One of the most stringent knocked out more than 200,000 students, leaving 50,000 on the rolls today, less than 1 percent of the total.

Change in Law

While the administration continues to insist that students abuse the program, the original law has been changed to require that most of those remaining work at least 20 hours a week or head a household with at least one dependent person.

Income levels for eligibility were reduced and allowable assets were dropped from \$1,750 to \$1,500. Those owning luxury cars or vacation homes were declared ineligible; so were recipients who had committed fraud, refused employment or withheld information from program investigators.

The 1977 law also tried to end the concept that all eligible persons were entitled to food stamps by placing an annual limit on the amount of money that could be spent. But ev-

The Budget Knife: Where the Cuts Would Come in Food Stamps Program

Deduct cost of free school lunch from family's allotment

ESTIMATED SAVING: \$600 MILLION

Repeal a proposal for liberalized accounting methods

ESTIMATED SAVING: \$460 MILLION

Lower the annual income eligibility ceiling

ESTIMATE: \$270 MILLION

Pro-rate allotments according to time remaining in month

\$210 MILLION

Empower officials to scrutinize recipients more carefully

\$180

Eliminate indexing to inflation of deductible costs

\$130

Source: Agriculture Department

ry year since then, when the program has started to run out of money, Congress has reauthorized and appropriated the extra funds.

Under the original program, recipients had to spend a certain amount of cash, depending on their income, to purchase their monthly allotment. The 1977 law eliminated the requirement, while somewhat reducing the monthly allotment. The change offset the more stringent eligibility rule and many households that had never been able to muster the required monthly cash outlay joined the program.

Many of these newcomers lived in rural areas, primarily in the South and Southwest, and a sizable percentage were elderly.

In addition, the War on Poverty of the 1960s had produced a vast network of community organizers, public interest lawyers and other liberal activists who publicized the food stamp

program and recruited recipients, often using federal money to finance their efforts.

But the biggest factor in the growth of the program was the economy. A 1-percentage rise in the unemployment rate, for instance, made at least 1 million additional households eligible for aid. A 1-percentage rise in the cost of food added \$150 million to the annual bill.

Today, the average food stamp family has an annual income of \$3,900, according to the Community Nutrition Institute, a nonprofit research organization. Almost 90 percent of the families earn less than the poverty level, which is \$7,450 for a family of four, and more than half the families have no tangible assets.

About 54 percent of the 22 million recipients are children under 18, and 78 percent are unable to work because of age, disability or parental responsibilities. Only 14 percent are able-bodied adults without jobs.

Party Limits Triumph Of Norwegian Premier

By John Ausland

International Herald Tribune

OSLO — For Norway's new premier, Gro Harlem Brundtland, the moment of triumph at the Labor Party convention in Hamar was a quiet but not unimportant one.

As the party leaders gathered late last week in Hamar, about 60 miles (95 kilometers) north of Oslo, the question uppermost in their minds was whether Mrs. Brundtland, 41, would manage to unseat Reinf Sten, 47, as party chairman.

Despite a last-minute effort by left-wing union and party leaders to save Mr. Sten, it was clear by the time he opened the meeting that he was doomed. At the end of a bitter speech, which was generally interpreted as a thinly veiled attack on Mrs. Brundtland's leadership style as unprincipled and authoritarian, Mr. Sten announced that he would not seek reelection as chairman.

But Mrs. Brundtland's triumph lasted only moments. Shortly after electing her unanimously as chairman, the convention turned around and elected Einar Foerde, 38, as her deputy. Mr. Foerde, who is church and education minister, is the party ideologist and has long been an opponent of NATO.

Disatisfaction

Mrs. Brundtland's victory over Mr. Sten had been in the making for some time. There has been ongoing and widespread dissatisfaction within the party over Mr. Sten's performance. It came as no surprise, therefore, when he was passed over for premier after Odvar Nordli resigned in January.

Shortly after Mrs. Brundtland was swept into office on Feb. 3 by pressure from local chapters of the party, she made it clear that she wanted to move up from deputy chairman to chairman. Although she put this on the basis of her conviction that the premier and chairman should be the same person, it is no secret that there is little love lost between her and Mr. Sten.

Mrs. Brundtland's position was strengthened by opinion polls that showed the Labor Party advancing under her leadership. In January, before she took over, the party stood at 33.5 percent. Just before the Hamar meeting, it stood at 37.1 percent.

Another poll undermined Mr. Sten's position even more directly. It indicated that only 17 percent of the party members wanted Mr. Sten to continue as chairman, whereas 67 percent favored Mrs. Brundtland.

Conservatives

Although Mrs. Brundtland, who is a firm supporter of NATO, tried to minimize the prospect of conflict with Mr. Foerde, she cannot have been happy with the choice. For one thing, Mr. Foerde is not among her greatest admirers. Furthermore, his selection invites attack from the Conservative Party, which has already made points with the voters by critic-

ing the Labor government's handling of military questions.

Still, at about the same time that the conference elected Mr. Foerde, it approved a party program that clearly endorsed NATO. For the first time since 1949, there was no debate on this, and no vote was taken. As a price for this unanimity, however, the left wing extracted a statement that "Norway will work for a nuclear-free zone in the Nordic area in order to reduce the number of nuclear weapons in a large European context."

This statement is deliberately ambiguous, and it contains the seeds of a bitter dispute. Ostensibly, this concerns whether Soviet weapons should be included in the zone. Actually at issue is Norway's continued support for

Meanwhile, the non-Socialist parties are having problems.

The stand of the Christian People's Party on abortion and the Center Party's position on the pace of the oil effort make it questionable whether they and the Conservatives could form a government.

NATO strategy, which is based on the possible use of nuclear weapons.

Norwegian officials are now hoping to put this question aside at least until after the September elections, when the program would be binding on any Labor government. It is not certain, however, that they will succeed. Strong anti-nuclear winds are blowing in Norway, as elsewhere in Europe. The government needs some help from the U.S. administration in the form of negotiations with the Russians on nuclear weapons in Europe if it is to avoid being blown off course.

Meanwhile, the opposition non-Socialist parties are having their own problems. The stand of the Christian People's Party on abortion and the Center Party's position on the pace of the oil production effort make it questionable whether they and the Conservatives could form a government, even if these three parties have a majority in the Storting.

At the Conservative Party's recent convention, chairman Jo Benkow announced that, in that case, the party would be prepared to form a minority government by itself. Since the Labor government is in a minority in the Storting, the Conservative threat is not seen as a frivolous one.

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Egypt

Economy Shifting Toward Balance and Hope for Prosperity

Oil: Income Rises, New Finds Adding To Potential

By John Andrews

CAIRO — The one unarguable bright spot in Egypt's tangle of economic troubles is the oil sector. Oil exports last year earned a record \$2.9 billion in foreign exchange — up from \$1.8 billion in 1979 and enough to provide a balance of payments surplus for the whole economy of about \$1 billion.

That was welcome news to Egypt's international creditors, all the more so because in January, Petroleum Minister Ahmed Hilal announced that 14 new discoveries last year had nearly doubled Egypt's oil reserves, from 1.8 billion barrels to 3 billion (a barrel contains 42 gallons).

Ironically, Egypt's prospects are being boosted by the actions of Arab nations that have spurred all dealings with the Sadat government since the signing of the Camp David accords and the treaty with Israel.

Higher Prices

Arab members of the Organization of Petroleum Exporting Countries have cut off the aid that kept Egypt afloat during the lean years of the 1970s — but each time Arab-dominated OPEC raises oil prices, Egypt, not an OPEC member, follows suit and gets higher export earnings in the process.

In fact, the prices of the state-owned Egyptian General Petroleum Corp., at least officially, go well above OPEC levels for comparable grades.

First-quarter prices for Egyptian oil ranged from \$40.50 a barrel for the top grade, Suez blend, down to \$32 for Ras Gharib crude. But Suez blend is rated as inferior to Saudi Arabian or Iranian light crudes, which officially sell for \$32 and more than \$36, respectively. The heavy Ras Gharib has an even lower rating — but still commands the same price as Saudi crude.

Prices such as Egypt's might seem to be carrying the "market price" philosophy a little far. But Egypt offers 60-day credits in contrast to the OPEC norm of 30 days — an important consideration in times of high interest rates — and an average tanker-journey time to the markets of the industrialized world of only 15 days instead of the several weeks needed from the Gulf. In addition, the Egyptians have proved themselves willing to reduce prices if necessary. There is little of the political pride that makes OPEC members obstinately hold their prices even when potential buyers walk away.

No Oil Baron

Egypt cannot afford to behave like an oil baron. Kuwait, with a population of just over 1 million, has oil reserves that could last 100 years. Egypt, with a population of 40 million, has reserves that might last 12 years at a production rate of 700,000 barrels a day — or only eight years if President Sadat's dream of 1 million barrels a day is achieved.

That is not to diminish Egypt's prospects as an oil exporter. Its longtime enemy, Israel, is

(Continued on Page 108)

TOURISM INDUSTRY ADAPTS TO CHANGE, FRESH PRIORITIES

By Paul Barker

CAIRO — Egypt's main tourist attractions — the pyramids and temples along the Nile, and the river itself — can reasonably be expected to be in existence long after the oil now fueling the country's economic recovery has ceased to flow.

Tourism's contribution to the national economy will be less spectacular than oil's in the short term, but it will continue to be an important factor in terms of revenue and employment.

Foreign exchange figures for 1980 illustrate the less dynamic but more constant element in Egyptian tourism: While earnings from oil rose by 60 percent to \$2.9 billion and workers' remittances increased by 27 percent to \$2.8 billion, tourism and Suez Canal transit fees increased by a more moderate 14 percent to net Egypt \$700 million each. The number of tourists rose by 17.8 percent over 1979 to reach a record 1.25 million; the number of tourist-nights rose by 13.8 percent to 8.1 million.

Although the Tourism Ministry hopes to increase the number of tourists to 2 million by 1984 and to raise revenue to \$1 billion, tourism in Egypt should be seen as an industry that shifts rather than grows. The hotel building boom in Cairo that has continued from the late 1970s into the 1980s, and the ministry's successive blueprints for major tourism expansion schemes, should be looked at in this light.

Since 1952 and the revolution that brought Nasser to power, tourism in Egypt has gradually entered the mass market. The average tourist stay has dropped from 13 days in 1956 to 6.5 days at present. Charter traffic next year is expected to account for about one-sixth of all tourist arrivals.

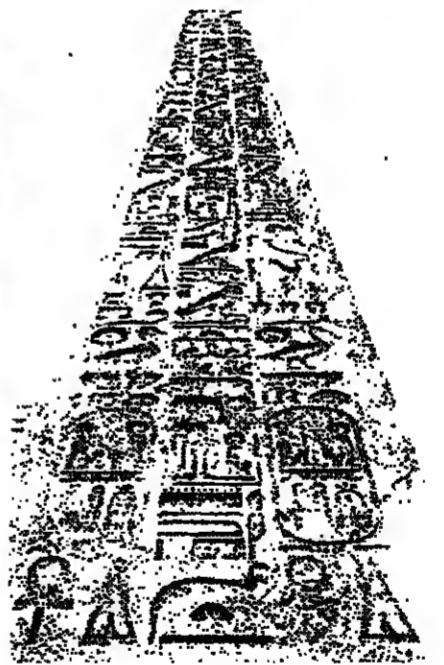
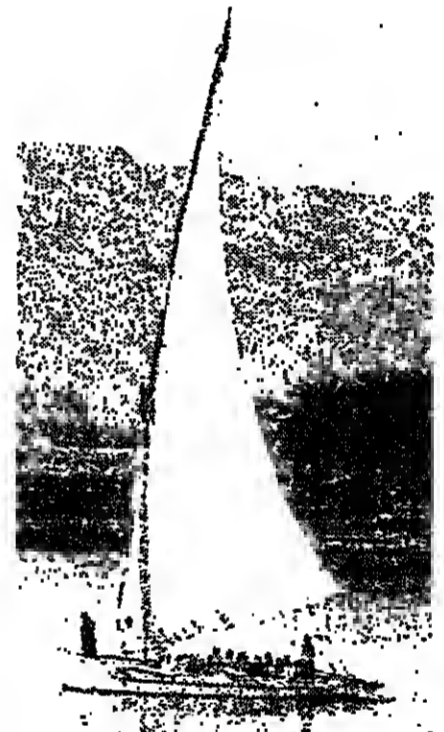
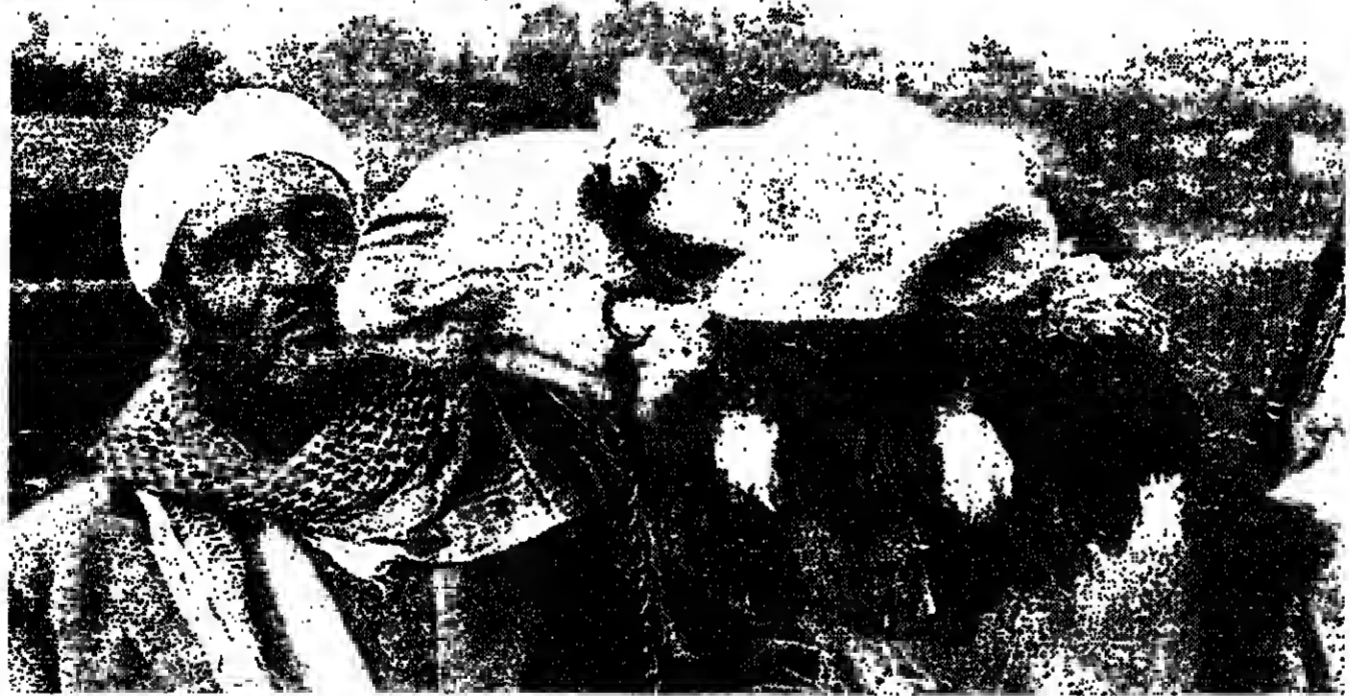
The days when wealthy Europeans and Americans viewed Egypt as a favorite winter resort are over; Egypt has been opened up successfully to East European group visitors, U.S. West European and even Israeli package tours. Visits by Latin Americans and Japanese are also increasing. Volume tourism now dominates the scene, creating the need for more hotel rooms, burdening existing services and facilities, and, crucially, dampening tourist spending on the souvenirs, goods and extra services that often benefit the economy more than the hotel trade itself.

The peace treaty with Israel has also reduced the number of wealthy Gulf Arabs staying in Egypt for lengthy summer holidays in villas in Cairo or Alexandria. Figures for 1980 do show a 26.8-percent increase in the number of Arab tourists

(Continued on Page 115)

Tourism in Egypt: People and monuments ... and the Nile.

Photographs by Alan McArthur



Persistent Problems Remain Targets of Broad Reform Plan

By Graham Benton

CAIRO — Suddenly, the Egyptian economy — that byword for chronic ill-health — is looking peculiarly buoyant. Foreign payments have been in balance only a few times since the 1952 revolution, but in 1980 Egypt was \$1.2 billion in credit, and for the first time in recent memory the government could claim a budget surplus. Instead of begging reluctant donors for aid and credits, Egypt's economic managers find themselves in the unexpected position of trying to persuade those kindly donors that the patient is not yet fully recovered.

The good news has been delivered by Abdul Razzag Abdul Meguid, the man who — with deputy premier rank — has been in charge of Egypt's overall economic management since May 1980. Formerly minister of planning, Mr. Meguid has managed to gather under his wing authority for economy, finance, trade, supply and investment. That puts him in a better position to sort out Egypt's extraordinarily complex economic problems than any of his predecessors. (Although Abdul Moneim Qaissuni was given a similarly wide-ranging brief in 1977, he was never able to impose his authority over the rampant and overlapping economic bureaucracy.)

Mr. Meguid also inspires confidence because he is saying all the right things. Thus, although Egypt's balance of payments is now unprecedentedly healthy, he is frank to state in public that this counts for comparatively little unless prosperity is channeled to the country's industrial and agricultural sectors and thence to the population at large.

Mr. Meguid's first few months in office were marked by a series of reform measures, some good and some frankly desperate. President Anwar Sadat promised to devote his energies to economic problems and admitted that inflation was running dangerously high (it probably reached 60 percent in the first quarter of 1980).

In what seemed a panicky move, the government cut prices on 77 consumer items, lowered tariffs on a broad range of imported goods, including foodstuffs, raised the public-sector minimum wage by 25 percent, abolished several taxes and gave everyone a 10-percent bonus. (Mr. Sadat has not forgotten that the nearest he ever came to losing power was in January, 1977, when people rioted to protest proposed cost-of-living increases.)

Regulations Will Be Overhauled

Once a calmer atmosphere prevailed, Mr. Meguid was able to embark on several more reasonable reforms, such as gradual rationalization of the public sector. Complicated tax regulations will undergo a promised overhaul, allowing revenue to be doubled by widening the tax base while significantly lowering the rate. Mr. Meguid plans to set up an independent customs authority, re-draft the 1954 company law, set up an import-export bank and put in force a company insurance law.

But these reforms are only a beginning in the battle to overcome Egypt's huge economic problems, which include declining productivity, growing imports, an endemic shortage of foreign exchange which is only now being corrected, an inflation rate which has probably cooled off to around 30 percent and real per capita growth in the economy only in the past five years.

Standing in the way of Mr. Meguid's well-

(Continued on Page 125)

Meguid Directs an All-Out Effort to Streamline Public Sector

CAIRO — The Egyptian economy, which for years has supported a grossly overinflated and unprofitable public sector, is heading for a fundamental change if Abdul Razzag Abdul Meguid, the deputy premier for economic affairs, gets his way.

Mr. Meguid wants to drastically slim down the public sector by selling portions of it to the private sector and exposing other parts to the rigors of the market place.

The impact this will have can be gauged from the fact that 60 percent of the working population is employed in public-sector companies, of which there are about 300. The public sector also provides three-quarters of Egypt's industrial output, and accounts for 90 percent of industrial investment.

Retail Trade Still Private

The only businesses left out of Nasser's sweeping nationalization of the economy in the 1960s were those considered too small or unimportant to fall neatly into the hierarchy of controlling boards. So the public sector until recently included primarily the large banks, insurance companies, transportation companies, export and import trading firms and most of the manufacturing sector. Wholesale trade is government-controlled, but apart from consumer cooperatives and some of the larger stores, most retail trade is still in private hands.

Even before Mr. Meguid took over the running of the economy last May, strenuous efforts were being made to turn public-sector operations over to the private sector where possible. As a result, the private sector has come to take a leading role in fields such as construction, textiles and transport. But the bulk of the productive economy is

still government-run and subject to a detailed array of rules on price, purchasing and profit margins.

The Egyptian economy suffered from over-concentration of production in a few large firms before Nasser formalized centralization. The effect of his nationalization, however, was to eradicate any semblance of response to market pressures by withdrawing managerial responsibility and accountability at plant level and reorganizing input and output pricing with little reference to profitability.

Operating Below Capacity

Public-sector firms found themselves without foreign exchange — which was badly needed for other purposes, notably arms purchases — and the lack of maintenance and spare parts meant that many plants were unable to operate at full capacity. Today, for instance, the giant Soviet-built Helwan iron and steel complex only works at little more than half its projected capacity of 1.5 million tons per year.

The situation was made all the worse because of the government's priority of job creation. The number of people employed by a public-sector company became the most important criterion in its ability to raise financing. The inevitable result of the huge entangled bureaucracies was a gigantic decline in productivity, as a huge work force operated a plant at below capacity, and eventually a chronic drain on the nation's budget.

Mr. Meguid has now drawn up a strategy for the formal decentralization of much of the public sector. Areas such as heavy industry, communications and utilities are to be placed under private management in holding com-

panies operating according to strictly commercial criteria, which will still be controlled by the state. Examples of this are the Helwan complex, the state telephone organization and EgyptAir, the national airline.

Grain Outlook

Some of the more profitable state companies, such as those in the construction materials or tourist sectors, are to be sold off altogether to private enterprise. But for the remainder — which will not be attractive enough for outright private purchase — the outlook is a grim one of trying to survive without government help. What financing they require, they will have to arrange themselves, either at home or through formation of joint ventures with foreign companies.

The crux of the matter is pricing of inputs and product. The head of the Nasr Automobile Co., or Nasco, recently resigned in frustration at the government's continued failure to permit a rise in prices for the vehicles the company produces. The prices have not changed since 1977, although the price of components has shot up. Against all odds, the company was performing creditably, but even though local demand for automobiles is expanding, Nasco simply did not have the funds to increase capacity.

Similar examples abound. The Helwan plant is usually cited as an instance of a heavy loss-making public enterprise. But there is reason to believe that if its products were sold at prices comparable to those prevailing abroad, its balance sheet would look dramatically more respectable. But the highly successful Nag Hammadi aluminum complex would look a great deal less healthy if it had to pay an economic rate for electricity supplies.

Mr. Meguid had called for a thorough review of public-sector operations and their assets, and an assessment of true costs to establish which companies really are profitable and which are not. A recent report by the Central Auditing Agency revealed that public-sector profits in 1979 amounted to E£190 million on revenues of E£3 billion.

Of 30 major public-sector companies studied, 16 failed to meet their production targets. The report claimed that where output increased by value it was often accomplished through a growth in productivity — either because of the introduction of modern machinery or through an increase in working hours (by such means as organized holiday schedules for workers and more stringent attendance checks).

But the companies that did less well sometimes did so disastrously. Of the 14 companies under scrutiny that failed to meet targets, two reported production decreases. Perhaps public-sector profitability can be gauged more accurately by looking at the statistics for the overall public authorities rather than the often distorted results of the companies themselves. These show that combined overall deficits have risen from E£87.1 million in 1974 to a staggering E£229.1 million in 1979.

'Reasonable Margin'

The kind of pricing structure the government is contemplating was revealed last October by Ahmed Hilal, deputy premier for production. It will evaluate production costs, then leave a "reasonable margin" for profit. Subsidies will be given for retail prices — an experimental price decontrol last year was called off quickly because of

the feared social impact — and public-sector prices have been frozen again.

The overriding question is whether the government will ultimately be prepared to let the unprofitable concerns in the public sector go by the boards. It has done a vital job in absorbing unemployment in a country where 500,000 people come into the labor market every year. Not surprisingly, the public-sector work force is deeply suspicious of Mr. Meguid's plans.

With some justification, opponents of decentralization point out that private capital will not invest in enterprises that have been stalled by undercapitalization or idiosyncratic pricing.

They object particularly to any hint that foreign companies are merely skimming the cream off the profitable areas of the public sector by establishing joint ventures with them. Union and parliamentary objections managed to quash a joint venture last year between Thomson-Brandt of France and the profitable local domestic electrical appliance company.

The skeptics also ask just how the much-maligned public sector is expected to compete when official regulations are so heavily weighted in favor of foreign investment. Even Mr. Meguid's own economic policy, since last May, is hurting them.

The slashing of import duties to help keep down inflation does benefit public-sector companies in terms of reducing their import bills for industrial raw materials and capital goods. But the reduction of duties on many finished goods simply exposes the public sector to what it considers unfair competition.



Agriculture: Feeding Population of 42 Million

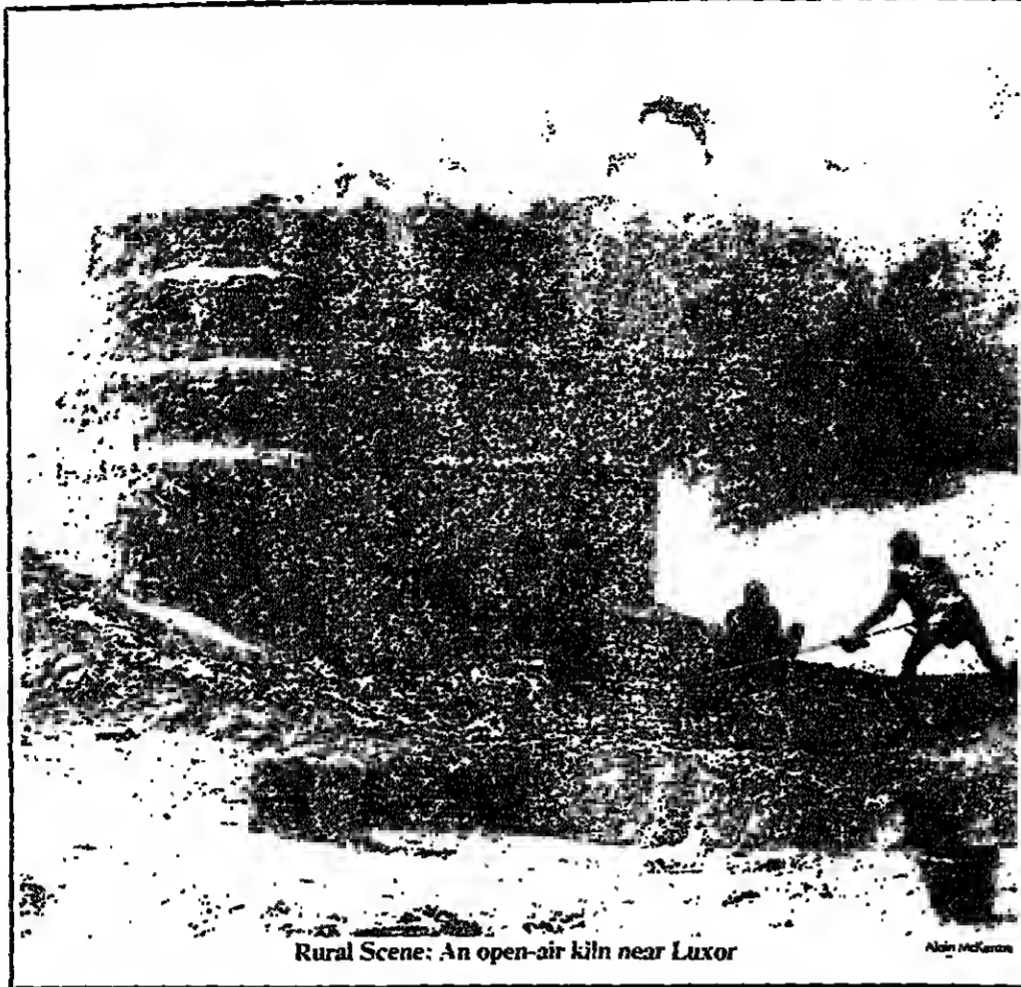
By Paul Barker
CAIRO — Egyptian farmers and the Ministry of Agriculture face a seemingly impossible task — feeding a population of 22 million, growing at a yearly rate of 2.9 percent, from arable land that constitutes less than 4 percent of Egypt's total land mass and which is being eaten away relentlessly by the demands of industry, housing and tourism.

Rising agricultural production and yield figures, and the gradual eradication of many diseases common to the Third World, show that Egyptian farmers and ministry officials are doing a respectable job when it comes to doing so. But they face a problem, in some observers' eyes. For other branches of government — from the president's office down — interfere by imposing their own projects.

Critics of the governmental role point in particular to an anomalous pricing system, which they say is palpably inefficient but perilously difficult to dismantle. During the years of Nasser's socialist policies a pricing and quota system imposed on private farmers or crops the government considered essential for local consumption, industry or export: cotton, wheat, sugar cane, lentils, sesame, onions and peanuts.

The pricing system as it has developed is generally considered to act as a disincentive to producing crops under government control. Government purchasing prices that range from 20 to 30 percent below market rates are deemed too low even when free water, drainage, subsidized seeds, fertilizers, pesticides and government credit are taken into account. Farmers believe consumers unfairly reap the benefits.

Evasion Government Controls
 The fine for quota evasion is low, and farmers can deliberately plant a free-market crop rather than a controlled crop and still be better off. Partly as a result, the government is forced to meet shortages in basic commodities through imports. Since 1978, prices to farmers have been increased by about 30 percent and the situation has improved. But there is a limit to price rises dictated by the comparative price of imports, observers say, and there is a limit to the degree to which the govern-



Rural Scene: An open-air kiln near Luxor

Growing urbanization has strained Egypt's agricultural resources to the limit, and nowhere more dramatically than in the supply of meat. Last year, authorities were forced to ban local meat sales for a month as prices rocketed ...

ment can allow subsidies and the cost of living to rise. Growing urbanization has strained Egypt's agricultural resources to the limit, and nowhere more dramatically than in the supply of meat. Last year, authorities were forced to ban local meat sales for a month as prices rocketed and profiteers stepped in; imports were encouraged to allow prices to subside and to give meat producers the time to stabilize production. Red meat (beef and buffalo) is

in particularly high demand; prices are high, but so is the cost of fodder, especially berseem (clover), which is used to make up for deficiencies in the local feed-concentrate industry. As a result farmers are forced to slaughter their cows and buffaloes much earlier than they should, at around 60 kilos (132 pounds) compared with an optimum 500 kilos (1,100 pounds). This early killing is reducing Egypt's livestock population year by year; the young are

slaughtered while the cows are overmilked. Milk, too, is in short supply. Egyptian cows each produce 700 kilos (1,540 pounds) of milk a year, one-tenth the production of the Dutch or Irish Holstein. The Egyptian hen lays 70 eggs a year, little more than one-fourth what an average hen in Britain lays. European companies are being contacted for help in improving the quality of Egyptian livestock

by crossbreeding and by running show farms, but even the best cow would soon falter in Egypt under the current market regime. The fodder shortage is likely to get worse rather than better; estimates for the year 2000 show that only one-third of demand will be met locally.

Egyptians grapple with the meat problem in various ways. Deputy Premier Abdel Razaq Abdel Meguid has taken broad measures, ordering a ban on local meat consumption one month, then telling Egyptians to stop using their donkeys the next. (Donkeys compete for the fodder cows eat.) The Ministry of Agriculture is more painstaking, discussing new investment in soya production — by 1985 six new plants are to be open — in one effort to alleviate the fodder shortage. But by that date, observers say, the meat situation might be so bad that the government will be forced to direct all soya straight to the consumer as a meat substitute.

Increased poultry and fish production using modern methods is more likely to add to the availability of meat protein in the future, some sources have suggested, noting that while urban Egyptians might not have much taste for fish, it is easier to change consumption habits than production patterns.

Land Reclamation
 Because farms along the Nile Valley and in the Delta could not solve Egypt's food problems, even with improved techniques, authorities have emphasized land reclamation schemes in the New Valley.

In January, Egypt celebrated the second anniversary of its Green Revolution. Over the next 20 years, Egypt intends to reclaim 1.2 million hectares (about 3 million acres) of land at a rate of 63,000 hectares a year; if this is achieved it will increase the area of arable land by half.

About 71,000 hectares are to be reclaimed in the New Valley over the next five years. Other areas of development include the desert regions south of Alexandria and west of Ismailia, and eventually the Sinai.

So far there has been little but disappointment surrounding the various schemes; yields have been low and problems have occurred between the Egyptians and foreign concerns. Egypt has welcomed an Israeli offer of technical assistance in the techniques of arid land farming.

Foreign Investment Is Sought

CAIRO — The "open door" to foreign investment remains one of the central planks of President Anwar Sadat's economic liberalization program, seven years after the promulgation of Law 43, which governs such activities. The General Authority for Investment and Free Zones is able to claim that more than 1,000 projects have been approved, with the major interest centered on investment companies, tourism and textiles.

And if relatively few of these projects have actually gotten underway, there is no doubt that foreign interest is growing. For example, despite the troubles of the existing Helwan iron and steel complex, the Japanese are interested in participating in a \$700-million direct-reduction steel mill planned for Dikheila. The net inflow of private funds to Egypt has increased from about \$100 million in 1977 to \$400 million last year.

Back to Calculators
 One major project that has held up was the Arab boycott of Egypt imposed in 1979. For many potential investors, this meant at least a temporary end to ideas of using Egyptian manufacturing capacity as a basis for sales throughout the Arab world (although this is still a hope for the future).

Foreign investors were forced back to their calculators again last year when Mr. Sadat slashed customs duties. In addition to worries about possible changes in the money markets and the future of the public industrial sector, that set the foreign partners to thinking again about the viability of their projects without adequate protection.

But the past couple of years have also clarified the picture. With the general improvement in the economy, investors are more confident that Egypt will provide an adequate market on its own for most projects without the need to export. And the change in the balance-of-payments picture has

meant that Egypt itself is more flush with funds for investment and can afford to relieve some of the equity burden that would otherwise have fallen on the foreign partners. The latter are now required to take a smaller share of capital costs but not enough to commit them to the project in hand.

Egypt is increasingly interested in technology transfer. Thus, under an agreement that is expected to be made final soon, the American C.E. Lummus group is taking a relatively restrained 20-percent interest in a new float glass factory. The Egyptians were eager to attract Lummus because of the company's access to technology and its international marketing experience.

In some areas there seems to be no difficulty at all in attracting foreign interest. Real estate financing brings in leading international banks. At the end of last year a 35-story tower block for the Eastern Cotton Company's employee housing cooperative was the object of a \$36-million syndicated loan led by Chemical Bank.

Under Law 43, private-sector partners are theoretically guaranteed prompt repatriation of profit and capital, tax holidays ranging from five to 15 years, the right to purchase foreign currencies in the commercial market, exemption or deferment of customs duties and protection for their investment.

British and French companies enjoy further tax advantages back home that can be written off against their Egyptian ventures. The lack of such advantages for American companies is one of the reasons why U.S. firms have been comparatively slow in entering Egypt.

Little Employment Gain
 Generally, criticism in this area centers on the failure of Law 43 ventures to boost local employment sufficiently. Nor, say the critics, have they had

much impact on reducing imports or made enough use of local materials. Even the technology-transfer element has been disappointing.

The companies themselves claim, with much justification, that many aspects of setting up a shop in Egypt can go wrong. One of the most successful operations is that of Union Carbide, among the earliest U.S. joint ventures to be established (Union Carbide has a 75-percent holding in the local firm). While work is proceeding satisfactorily now, the initial setting up of the plant produced a number of headaches.

It took six months to obtain the government-owned land for the site. Prolonged and familiar problems with customs followed. Equipment was held up at the docks while Union Carbide argued with the authorities whether the goods were taxable or not. Congestion at the port of Alexandria led to further delays. And once the factory was producing, Union Carbide discovered that despite a specific undertaking on the part of the government, public-sector firms like the Egyptian General Battery Company were negotiating their own competitive joint ventures with other foreign partners.

Any company starting business in Egypt will have its share of frustrations. For some, the difficulties are too much. Pepsi-Cola and Coca-Cola are abandoning irrigation plans, the former because of labor problems and the latter because it discovered that a large part of its allotted land was used for straying practice by the air force.

Yet large international companies are still lining up. The greatest coup will be enticing big Western vehicle and accessory companies such as Ford, Mercedes-Benz, Volkswagen, General Motors or Klockner-Humboldt-Deutz, with whom talks have been proceeding erratically for some time.

—G.B.

Foreign aid and investment is an important component of Egypt's bid to improve its agricultural performance, and the French have shown great willingness to help. But President Anwar Sadat has

made it clear to would-be donors that large-scale projects such as the Kenana sugar scheme in the Sudan are out of the question.

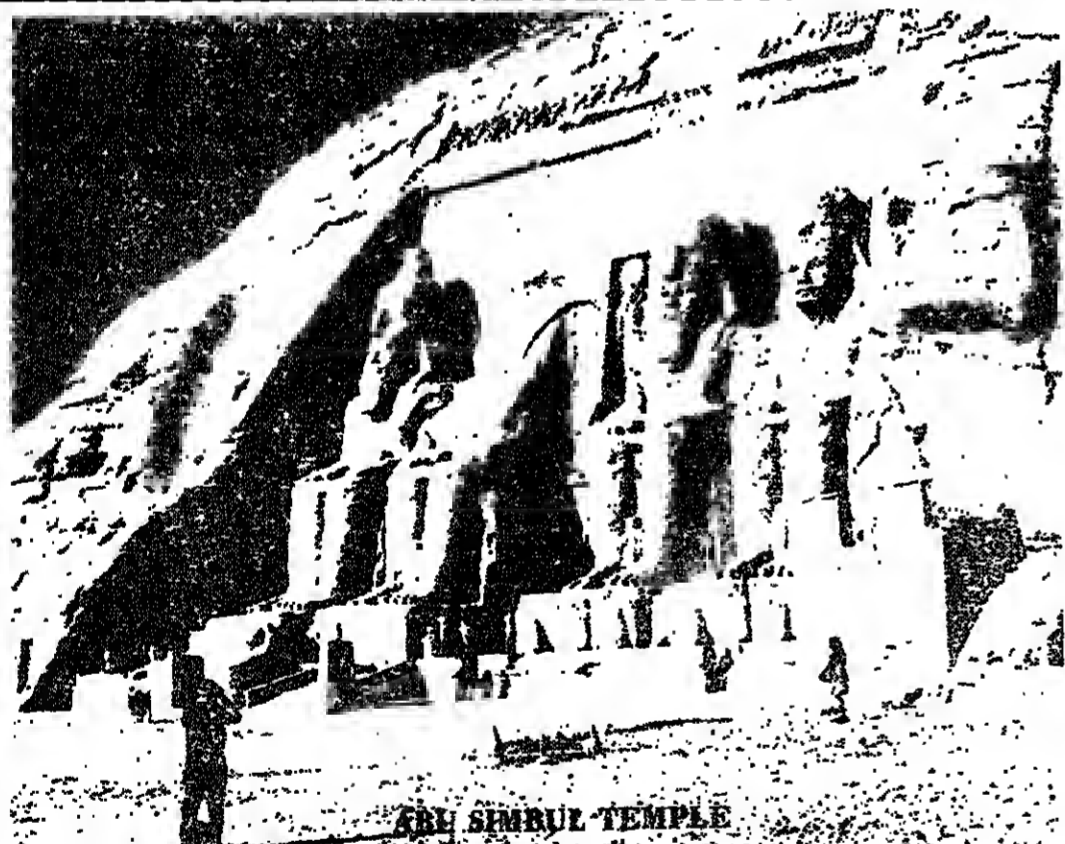
Mr. Sadat's regime is largely insulated by rural networks of small to medium landowners. This places

further constraints on Egypt's policy options, but should force the country to concentrate first on improving existing farming in the Nile Valley before moving into more costly and speculative projects in the desert.

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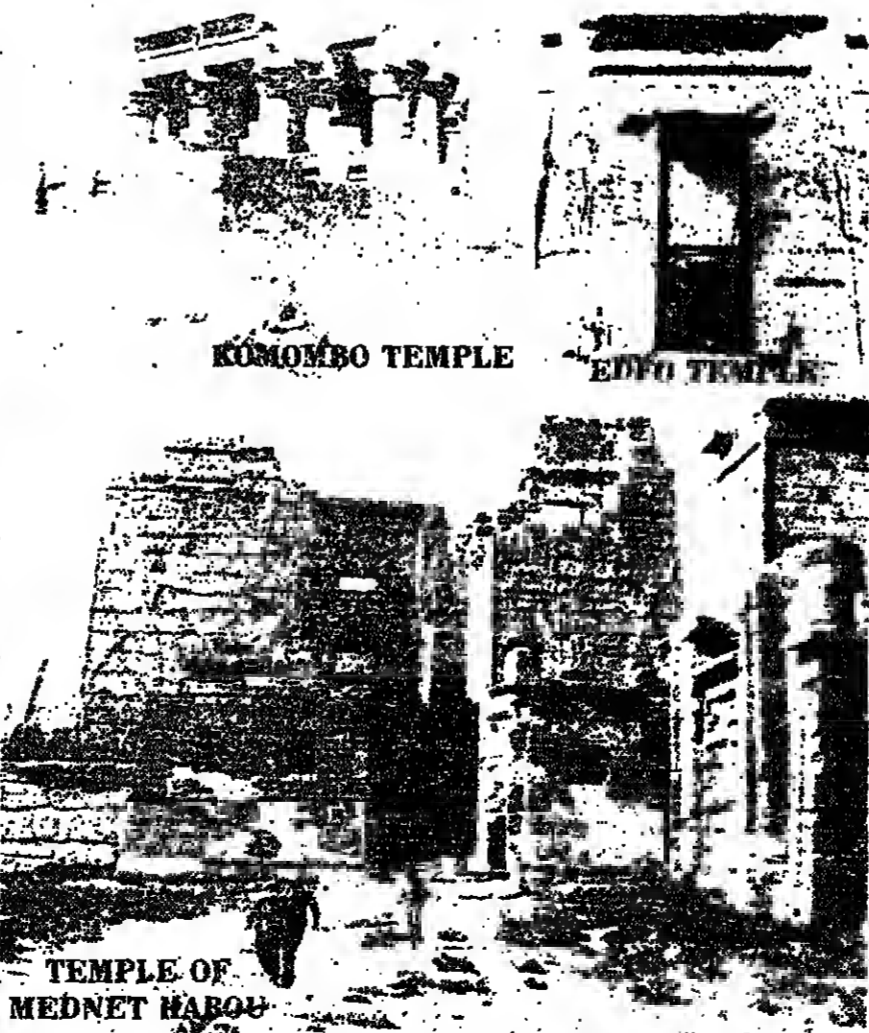
TOURISM IN THE LAND OF THE PHARAOHS



ABU SIMBUL TEMPLE



TEMPLE OF KARNAK



KOMOBLO TEMPLE

EDFU TEMPLE

TEMPLE OF MEDNET HABOU

The Future of Tourism in Egypt Egypt has always been the meeting ground of East and West, the gateway from the West to the Middle East, Africa, and Asia. It has the climate, history, art, and almost untouched beach areas to make it a prime holiday destination. The country has conditions favourable for most traditional types of tourism to develop and flourish. The variety of monuments from the Pharaonic, Greek and Roman civilisations, as well as from the Christian and Islamic eras, represents the assets for traditional or cultural tourism which attracts tourists from all over the world. Egypt is in a very real sense an "open museum" where museums of ancient history are constantly on show in their natural environment. There are also hundreds of mosques, churches, and synagogues attracting tourists from all the monotheistic religions.

Egypt, with its temperate weather throughout the year, its vast wealth of mineral spas (approximately 1356), its warm sun, and remarkable scenery attracts tourists who come for remedial purposes.

The Nile is one of the most prominent tourist attractions in Egypt. It has always been a scene for water sport festivities. The recent increase and improvement of Nile cabin cruisers have bolstered the programme of Nile voyages by which many tourists visit the country.

Egypt is rich in water surfaces, which are as vast as they are beautiful, and ideal for water sports and fishing. There are also attractive spots for hunting and shooting, particularly on the Mediterranean and Red Sea Coasts, Fayoum, Al Sharqiya Governorate, and in the desert.

A new type of tourist to attract is the car-tourist who will have an increasing influence in the coming years. To promote car-tourism a plan has been prepared to construct inter-linking highways. The terrain is ideal for road building. Many areas along the Nile, the Mediter-

anean and the Red Sea have natural camping sites. The construction of rest-house facilities and metals in such a network are the obvious back-up to attracting car-tourism.

Active tourism which includes the new tourist trends such as sports, leisure and recreation tourism, which attract large numbers of foreign visitors. They come to Egypt throughout the year to practice various kinds of sports, including fishing, shooting, rowing, and swimming. In addition, they can take part in other sporting events such as tennis and golf tournaments, equestrian events, etc.

Health tourism: The country's warm weather, its sunshine throughout the year, its natural beauty, warm sands and sulfuric water make the Egyptian climate a very healthy one. Add to this the reasonable cost of treatment, and Egypt could be considered one of the leading countries in this type of tourism.

Youth tourism: is regarded as a means of linking peoples of different countries, since travel has become a great interest of young people. Youth organisations, with the cooperation of the Egyptian Ministry of Tourism, have built special hostels and camps in various tourist areas where young people can stay at reduced rates, and have organised suitable kinds of entertainment.

Adventure tourism: for those who seek out the new in everything, no matter how daring the situation to which they may find themselves. These adventure-seeking tourists are attracted to the Red Sea Coast, with its rare fish and coral reefs, as well as to the oases, those green islands amidst the desert.

For sheer sandy beach and sunshine, Hurghada on the Red Sea is among the best in the world. It is only a 45-minute flight from Cairo, in an area known for its excellent fishing, sea bass, and scuba diving along the coral reefs. Under-water photography is at its best. The Magawitch tourist village which Miar Travel, the state-run travel agency has set up on the Red Sea coast south of Hurghada, is being operated in the Club Méditerranée fashion. There are motor boats for swimming and picnic excursions to nearby desert islands, and even a sailing school. Eventually Egypt will be able to compete with other favourite tourist resorts on the Mediterranean, such as those in Greece, Spain, Morocco, and Tunisia.

With the restoration of Sinai, programmes of religious tourism now include the numerous religious sites and relics on the Peninsula, such as the road used by the Holy Family of Jesus Christ, the mountains of El Tor, and the St. Catherine Monastery. All these regions will be provided with inns, rest houses, and adjoining camp sites to accommodate visitors.

The Nile Valley which lies to the south-west of Egypt is brimming with tourist sites where tour operators of diverse nationalities send their clientele. The government provides all the facilities needed to enjoy the clear, dry weather, the monuments, and the mineral springs, whose reputation for curing rheumatism and kidney trouble is renowned.

Efforts to Develop the Egyptian Tourist Market

To realise this aim, the Ministry of Tourism has planned and begun carrying out the following:

- 1) Encouragement of Arab and foreign investment in tourist projects by promulgating law n° 43 of 1974 that provides the investor who wishes to establish a project in the country with important incentives in several areas. Furthermore, other acts of legislation have been passed: law n° 1 of 1973 concerns the tourist and hotel establishments; and law n° 2 of the same year entrusts the supervision and exploitation of tourist areas to the Ministry of Tourism.
- 2) Raising the standards and qualifications of employees in the tourist industry through instruction and training courses in tourism and hotel management. Briefly the plan would realise the following:

1. In the field of accommodations:
 1. Construction of new hotels either by international hotel chains or by local enterprises.
 2. Establishing tourist villages.

3. Building tourist complexes, including various sorts of accommodation, entertainment, and shopping facilities.
4. Creation of new summer and winter resorts including spa centres.
5. In the field of transportation:
 1. By Air:
 - Rehabilitation of existing international airports and establishing new modern airports as well as new airline companies covering short and long distances, both regionally and internationally.
 2. By Road:
 - Construction of new networks of roads and ferry boats which link Southern Europe, North Africa (Alexandria and Port Said), and East and West Arab countries to the ferries on the Red Sea, Egypt, Sudan, Central and West Africa.
 - Extension of the railway network, together with the development of various services, such as sleeping cars, and the encouragement of fare reductions for the package tours.
 3. By Sea:
 - (The Red Sea and the Mediterranean) Existing sea ports are being restored.
 4. By Nile:
 - Cruises are being organised from Cairo to Sudan.

Plan for Tourism Development
 The Ministry of Tourism has prepared an ambitious 5-year plan, 1980-85, for the development of tourism which aims to attract the highest possible percentage of the international tourist market to suit our available and projected tourist attractions, and ensure tourist revenue that would help our balance of payments. The plan includes:

- a. Raising the standard of tourist services including those related to visas, customs, health and currency regulations.
- b. Raising local consciousness of tourism through education and use of the mass media, as well as by encouraging domestic tourism. In addition, the Association of Tourist Friends has been established, and is already exerting good efforts.
- c. Expansion of tourist promotion through official agreements, the encouragement of cultural and sports festivals, and the creation of Tourist Weeks abroad, as well as through taking advantage of the public relations opportunities provided by international events and celebrations.
- d. Providing improved security measures for tourists through the stationing of Tourist Police, whose task is to aid and protect tourists in all tourist areas from the moment of their arrival.

Tourist Statistics	
Year	Total no. of Tourists
1978	1,051,848
1979	1,064,079
1980	1,253,097
Year	Total no. of Tourist nights
1978	7,136,665
1979	7,104,381
1980	8,083,690

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حکومت مصر



EEC: Despite Political Problems, a Search for Better Ties Continues

By Linda Bernier

PARIS — Beset by political problems resulting from the Arab-Israeli conflict and by economic problems resulting from its position as a developing country, Egypt has not had as smooth a relationship with the European Community as both sides would like.

But political and economic relations between Egypt and the EEC have been progressing steadily during the past decade and, as the recent visit to Luxembourg by President Anwar Sadat indicates, Egypt and the EEC are committed to improvement.

Even though relations might not be that important in terms of dollars and cents, they are important in terms of experience in dealing with each other. Egyptian ambassador to the EEC, Ahmad Tewfik Khalil has said.

This is perhaps especially true in the political sphere, where the community's Euro-Arab dialogue and inkwarm acceptance of the Camp David agreements have produced more problems than benefits for Egypt.

Cooperation Impeded

The Euro-Arab dialogue was initiated in 1974, after the 1973 Yom Kippur War and OPEC oil embargo, as a means of pursuing economic, technical and political cooperation between the Arab states and Europe. Political factors, mainly the Arab quest for recognition of the Palestine Liberation Organization, have long impeded cooperation of any sort.

After four meetings of experts between 1976 and 1978 the dialogue was suspended by the Arab League in April, 1979, following the Camp David agreements. Egypt, evicted from the Arab League, was excluded from the Euro-Arab dialogue.

Since the Venice summit last June, however, the EEC has softened its position against formal political discussion of the Arab-Israeli conflict in the forum of the Euro-Arab dialogue. The Egyptians have not only agreed to discuss political as well as economic questions in this context, but have been increasingly outspoken about the need to bring the Palestinians into the peace process.

A preliminary meeting, symbolically chaired by Palestinians, was held in November, at which time it

was decided to hold a ministerial-level meeting of European and Arab representatives by this summer, probably in June or July.

One of the purposes of President Sadat's trip to the EEC last month, according to some observers, was to remind the Europeans not to ignore Egypt when it resumes the Euro-Arab dialogue.

'Not the Only Forum'

"Egypt has always been and is still for the Euro-Arab dialogue," said Egyptian Ambassador Khalil, "but we would like to see the development of cultural, technical and economic cooperation as well as political cooperation."

"The dialogue is not necessarily the only forum for Europe's role in the Middle East conflict. It is part of a much larger forum." He noted that other political questions, such as Afghanistan and Chad, also should be discussed.

One European official conceded, however, that "We are still groping for a definition of what political discussions should entail. It took us some time before we could speak with one voice on the Palestinian question. And that is the only question the Arabs can talk about with one voice."

According to Mr. Khalil, Europe has an important role to play in the Arab-Israeli peace process. "The key issue is how to bring the Israelis and the Palestinians to negotiate," he said, expressing hope that Europe, an important trading partner for Israel, will put pressure on Israel to bring the Palestinians into negotiations.

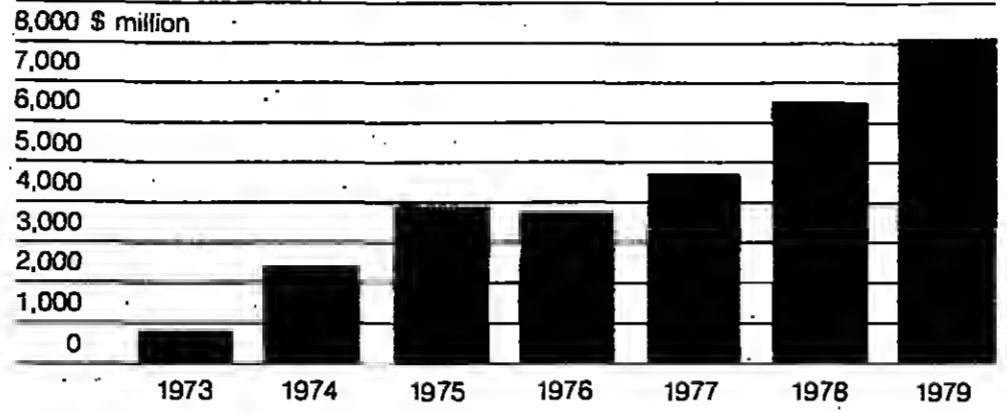
"I don't perceive any differences in kind between U.S. and European interests," said Ambassador Khalil. "But perhaps because of the geographical proximity and economic importance of the Middle East, Europe feels more acutely the necessity of stability in that region."

The Arab League states are among Europe's most important trading partners, even excluding oil. As for trade and economic relations between Egypt and the EEC, they are not altogether satisfactory, according to the Egyptians.

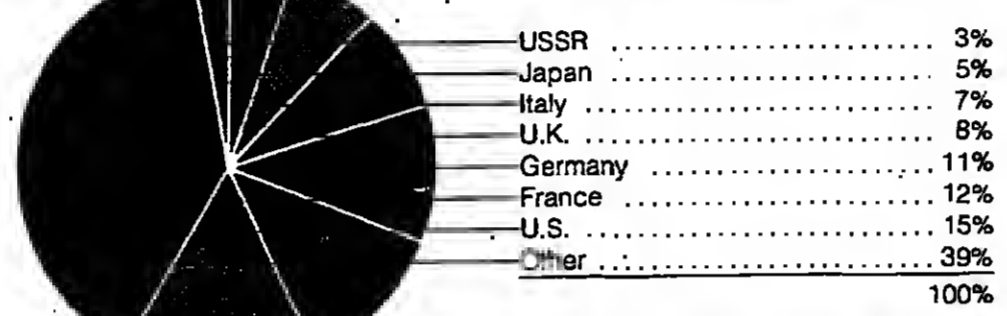
Not Developing as Hoped

"Europe has been a traditional market for us so we have to develop and keep up good relations," said Egyptian commercial minister to the EEC, Mansour Fahmy. But,

Value of Egypt's Total Imports: 1973-1979

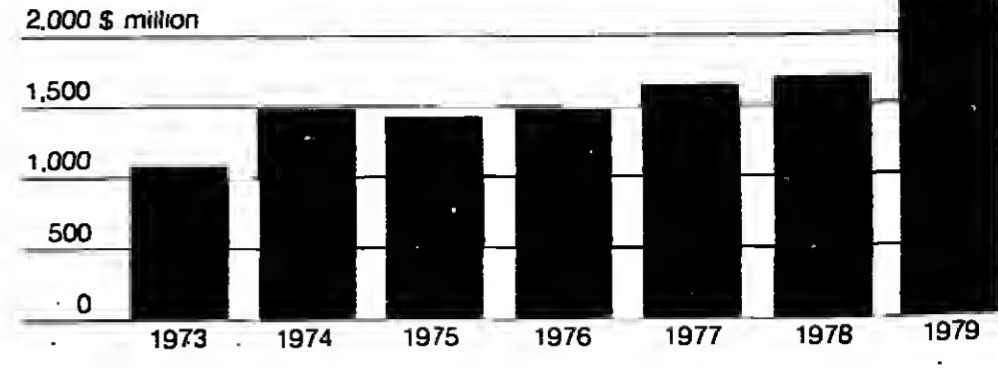


Total Imports by Source: 1979

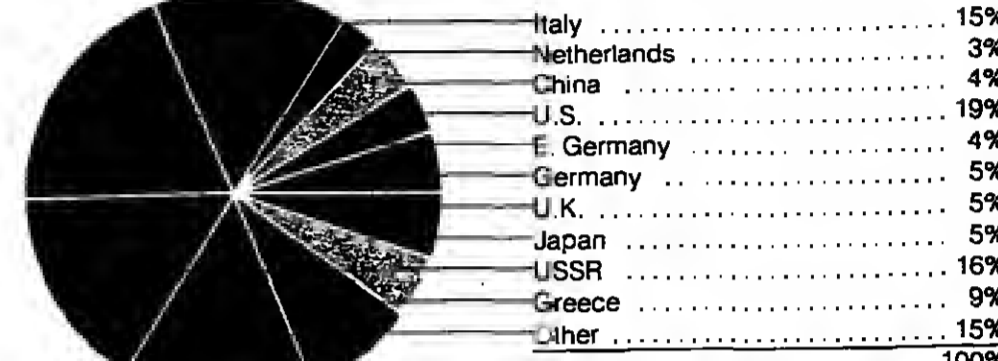


Source: International Monetary Fund

Value of Egypt's Total Exports: 1973-1979



Total Exports by Destination: 1979



Source: International Monetary Fund

he added, "they [economic relations] have not been developing on the scale we had hoped."

In 1972 Egypt signed its first five-year preferential trade agreement with the EEC, which provided up to 55-percent reductions on manufactured goods and tariff reductions on agricultural products.

This agreement was expanded in 1977, allowing free access of Egyptian manufactured products into the EEC without reciprocity for EEC goods and preferential treatment for certain agricultural goods.

But Mr. Fahmy complained that these accords do not include substantial reductions for Egypt's main crops — rice, citrus fruits, tomatoes, green beans, potatoes. "There are not enough concessions

to allow us to compete with community products," said Mr. Fahmy, noting that currently Egypt is allowed to export these products only when they are out of season in Europe. He would like the EEC to extend Egypt's export period and to lower tariffs.

Increased Exports Are Oil

Enlargement of the EEC to include Greece, Portugal and particularly Spain as free trade members "will be catastrophic for us because they produce many of the same products we do," said Mr. Fahmy.

According to Mr. Khalil, "The EEC gives us exemptions on industrial products that we haven't got the slightest possibility of producing. What we can produce is

textiles. And there we have barriers. That's not really preferential treatment."

While community officials point out that Egyptian exports have been increasing — from about \$415 million in 1975 to about \$1.5 billion in 1979, Mr. Fahmy says these exports consist mostly of oil, recuperated by Egypt in the Sinai after the Camp David agreements. The EEC still enjoys a trade surplus with Egypt — of close to \$1.48 billion in 1979.

Community officials, while cognizant of Egypt's problems, do not believe trade arrangements will improve substantially in the near future.

"With the present state of the Community's economic situation it is unlikely that Egypt will get more

than it has now," an EEC official said. "Egypt has problems in packaging, transporting and storing its products. There is no benefit for Europe. But as Egypt develops and its trade grows Europe will get a good slab of it."

'A Long Haul'

The official said Egypt should be concentrating on expanding export markets in other developing countries, developing its leather goods and furniture industries, concentrating on import substitution and, for its European trade, developing specialized food products and agricultural products for the off-season.

"It's going to be a long haul because they have a large population and their economy is a mess," the

official said, noting that Egypt has suffered in part because it had to reorient its trade from East to West after the Russians left.

Among the areas of economic cooperation between Egypt and the EEC that have been most successful are the financial and investment fields. A five-year financial protocol was signed in January 1977 and is scheduled for re-negotiation at the end of 1981.

This agreement provided Egypt with about \$221 million in loans and grants — \$121 million in normal loans from the European Investment Bank at less than 2-percent interest rates, \$18 million in soft loans at 1-percent interest rates payable over 40 years and \$63 million in grants.

Almost all the normal loans have been used — for such projects as enlargement of the Suez Canal electric power stations, a clay-brick factory. About 43 projects from solar energy and sewage treatment vocational training, have been financed by European grants.

But only 43 percent of the soft loan allocations have been used primarily for top-priority soil improvement and agricultural storage projects. The reason, complain the Egyptians, is the Community's long and complicated bureaucratic procedure.

"Yes, it takes a long time," Community official said. "But there are complaints on both sides. It takes time to understand each other."

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a) Cash & due to Banks	74 Million U.S. Dollars
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2—Liabilities	
a) Current & Time deposits	91 Million U.S. Dollars
b) Due to Banks & Correspondents	56 Million U.S. Dollars
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- Cairo Airport: Five Foreign Exchange Offices.
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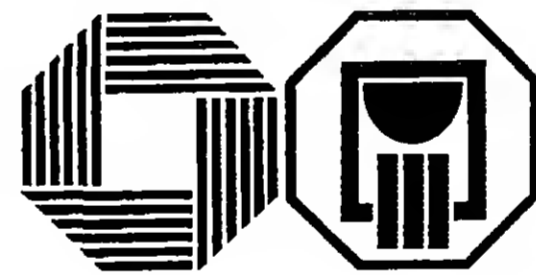
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Workers erect a lamp post in a Cairo street.

Oil Income Up, New Reserves Found

(Continued from Page 7S)

now its major customer. Under the Camp David agreements Israel relinquished the Alma oil field in the Gulf of Suez in November, 1979. Four years earlier, Israel gave up the Ras Sudar and Abu Rudeis fields under the disengagement agreements.

Israel now must import about 160,000 barrels a day—and Egypt is supplying a quarter of that at prices advantageous to the Egyptian economy and with security of supply vital to the Israeli economy. Since OPEC embargoes oil supplies to Israel and cuts off aid to Egypt, the arrangement works well for both parties.

The real question mark for Egypt is whether it can manage its oil earnings to the benefit of the whole economy. The time scale in terms of reserves is already tight. But it becomes still tighter as the nation's economy grows and consumes oil that otherwise would be exported.

Production in 1979 averaged

600,000 barrels per day. Last year, the figure rose to 650,000 barrels per day. By next year, according to the CIA, the rate may rise to 900,000 barrels per day. The problem is that increased domestic consumption is outpacing the production increases. At the moment, local demand accounts for half of all the oil produced. That demand is expected to grow at between 10 and 15 percent a year, with the increased consumption reflecting both population growth and the growth of energy-consuming industry.

The CIA production estimate would appear optimistic: A production peak of about 750,000 barrels per day seems more likely. Output that comes not only domestic consumption but also a share to the oil companies to compensate for their investment in exploration and development. The exportable surplus is thus only about 160,000 barrels per day, rising over the next two years by perhaps 5,000 to 10,000 barrels per day.

The silver lining is that rising oil

prices make profitable even the most marginal of fields.

The world's oil companies, their supplies increasingly squeezed by the loss of their stakes in the producing countries and the tendency of the producing countries to market their own oil in state-to-state deals, reassessed the prospects in Egypt shortly after the OPEC-led quadrupling of oil prices in 1973-74.

Foreign Commitments

Since mid-1973 Egypt has signed 83 agreements with foreign oil companies, involving a commitment to spend \$1.9 billion on exploration and development. Last year alone, \$377 million was committed, and a long list of companies are seeking concessions not just in the Gulf of Suez but also in the western desert and the Israeli-occupied Sinai.

But the enthusiasm is unlikely to presage an oil bonanza. The first drilling for oil in Egypt was in 1885 and the first production well began operating in 1908. Given

that lengthy oil history, Egypt is unlikely to be hiding any massive oil fields such as Saudi Arabia's Ghawar field or the Saïr field in Libya.

The future more likely will lie with small fields made profitable by rising oil prices. Demmes, Shell and BP, for example, discovered the Ras Burdan field in 1958—but only now are planning to bring it into production. Even with Egypt's three biggest fields—Morgan, Ramsadan and July—offshore in the Gulf of Suez, the comparison is more with Britain's small North Sea fields than with the OPEC giants: The three Egyptian fields produce less than 400,000 barrels a day, between these:

But while Egypt might not have the oil wealth of underpopulated Libya to the west or Saudi Arabia to the east, the Egyptians continue to benefit from their neighbors' role in OPEC. Every price rise makes Egypt's oil prospects a little brighter.



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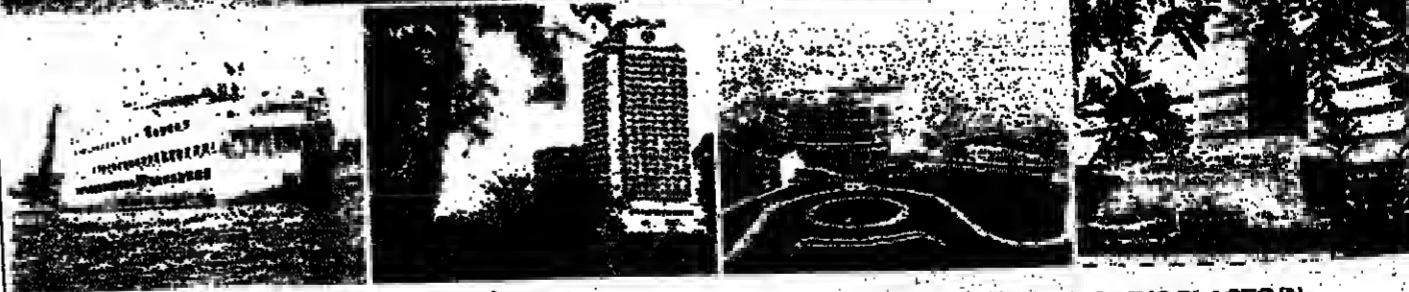
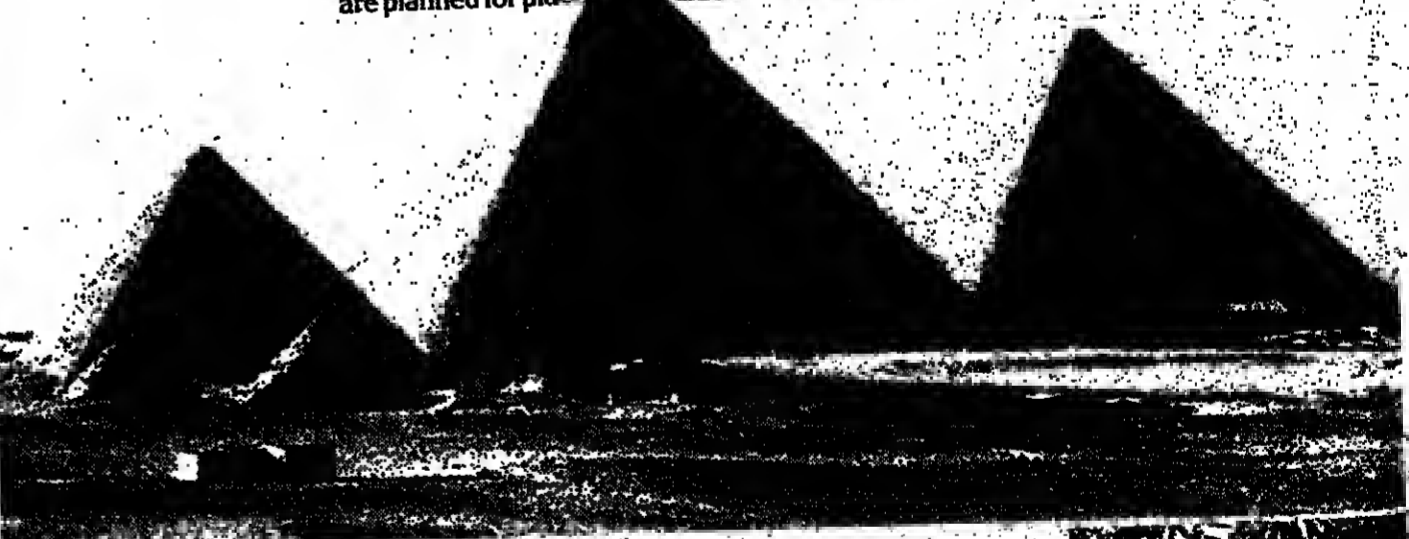
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Sheraton Hotels in Egypt

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New U.S. Embassy Symbolizes Closer Ties

CAIRO — Despite American protestations about keeping a low profile in Egypt, permission has just been granted for the construction of a 17-story building to house the U.S. Embassy in Cairo. Nothing will better symbolize the importance to Egypt of close relations with the United States than the scale of this embassy.

The American diplomatic corps in Cairo — the largest in any capital in the world — numbers 430. About 100 of this number are USAID (United States Agency for International Development) officials and 30 to 40 are connected with the military.

World Leader's presidential victory initially caused the Egyptian government considerable concern about U.S. policy. Now, however, Egyptian officials are finding cause to be pleased about the Reagan administration's approach.

Strategic Value Emphasized

The greater emphasis that Mr. Reagan and Secretary of State Alexander Haig have placed on Middle East security since the Gulf conflict erupted suits Mr. Sadat. Ever since he convinced himself that "99 percent of the cards" in the confrontation with Israel are held by Washington, it has been his policy to emphasize Egypt's strategic value to the United States.

Since the 1973 war with Israel, Mr. Sadat has more and more considered his military machine a fire-fighting force capable of intervention in Africa and the Middle East in defense of Western interests. It is in these terms that Egypt's military purchases from the United States are viewed. In an interview with the New York Times last December, army chief of staff General Mohamed Abn Ghazaleh (on an arms-purchasing trip to Washington with Vice-President Husni Mubarak) drew attention to Soviet military deliveries which were intended to "overwhelm Egypt in northwest Africa, hit Sudan and threaten the Arabian peninsula."

The United States has begun to fill the gaps left in Egypt's armory by the cessation of Soviet arms deliveries in 1974, the suspension of Saudi financial support in 1979 and the parallel withdrawal of Saudi Arabia, Qatar and the United

Economic Situation Seen Giving Sadat Political Flexibility

CAIRO — When President Anwar Sadat shuffled his government last May, he pledged to devote "95 percent" of his time to Egypt's overwhelming economic problems.

Those problems were behind riots in January, 1977, when the urban poor took to the streets to protest government proposals for reduction of subsidies on basic commodities. Four years later an upswing in economic activity has left Mr. Sadat with more room to maneuver.

Although leftists and religious zealots are subject to arrest in periodic government dragnets, Mr. Sadat appears to have the political life of the country firmly under control. He seems genuinely committed to political liberalization, if only because he recognizes that the rigid one-party system he inherited from Nasser allowed no safety valve for popular frustration. But after attempts in 1976 and 1978 to install a multiparty system, Egypt is back where it started with the president's own party dominating public politics.

Weak Opposition

The National Democratic Party (NDP) was formed in 1978 and won 326 of the 367 contested seats in the June, 1979, elections for the People's Assembly.

With its network of specialist committees, subcommittees and local branches, the party is locking increasingly like Nasser's fossilized Arab Socialist Union. And like the ASU it attracts a huge number of place-seekers and opportunists who see it as the fastest route to advancement within the regime.

The officially permitted opposition continues to exist, but its role is typified by the Socialist Labor Party (SLP) of Ibrahim Shukri, a former agriculture minister. The party was a Sadat creation. Its first secretary-general was Mr. Sadat's brother-in-law, and a number of NDP deputies were temporarily assigned to its ranks to give it the necessary quorum for official recognition in the assembly.

Unexpectedly, Mr. Shukri turned out to be a noisy critic of the government. The narrow limits in which the SLP is allowed to operate were demonstrated last November when 13 of its members were encouraged to change their allegiance after Mr. Shukri's criticisms became too strong.

In fact, official opposition of this kind depends on a thin layer of academics, journalists and, especially, lawyers. Although they provide a useful critique of government policy, they have no real claim to any popular following.

The government's most incisive critic is Khaled Mohieddin, a veteran Free Officer associate of Nasser who took part in the overthrow of the monarchy in 1952. He now leads the Nationalist Unionist Progressive Party. Since the 1979 elections, the NUPPS tiny representation in the People's Assembly has been altogether eliminated, and Mr. Mohieddin has no illusions even about heading a legally constituted opposition party.

His followers are subject to arrest and frequent harassment, and he sees his job chiefly in terms of working away gradually at the roots of the regime while waiting for a change of political circumstances. His basically Socialist and Nasserite following still retains an important presence in the provinces and the working-class suburbs.

All in all, Mr. Sadat arouses political respect rather than affection. By leaving his opponents room to move on a short leash and his NDP followers the chance to propose policies that differ from those brought up in the Assembly committee or by the government, he permits a degree of debate that is limited but

which stands in contrast to the Nasser era.

A more serious threat is the dissension between the Coptic and fundamentalist Moslem communities. The Coptic community, numbering about 6 million, has always felt itself vulnerable, and never more so than today with Islam's political resurgence in the Middle East. Encouraged by Mr. Sadat's growing pro-Western sympathies, the Copts became particularly assertive in 1979 and 1980. Extremist Moslems began bombing Christian churches, and Coptic Patriarch Shenouda III pointedly canceled the community's Easter celebrations.

Religious Impartiality

Such sectarian rivalries are capable of mobilizing the sort of mass demonstrations that the Iranian experience has taught Mr. Sadat can be particularly dangerous. He was able to display religious impartiality by banning unlicensed meetings and closing down Assiut University in November for a week, following disturbances.

But by accusing the Copts last May of seeking to establish a separate state, he was also able to deflect the attention of Moslem Brotherhood extremists away from the peace treaty with Israel and the granting of refuge to the dying shah of Iran.

In the event of the emergence of major economic or social grievances, Mr. Sadat is well aware that the Moslem Brotherhood could seek to exploit a threat to his standing. So far, by his evident piety and by the declaration that Islamic law is now the single source of Egyptian jurisprudence, he has been able to trade off the more zealous Islamic extremists against their moderate brethren.

Ethics Court

No one has yet been sentenced by the Court of Ethics, but it has proved a useful piece of interrogatory machinery. One instance was the summons in December to Abku Salam Zayyat, a former deputy premier. He helped draft the first permanent Egyptian constitution after Mr. Sadat took power in 1970, then last year wrote a book accusing Mr. Sadat of violating his own legislation.

In addition, a parallel assembly with somewhat ill-defined functions has been elected; it will endorse presidential decisions considered likely to cause undue debate in the People's Assembly.

Significantly, the parallel body also has supervisory power over the press, which formerly operated under the aegis of the ASU and for a brief and politically dangerous moment seemed to be free of any official supervision. Election to this advisory body was organized in such a way that the NDP would once more be ensured of unchallenged control.

The various opposition groups have concentrated much of their fire on Mr. Sadat's foreign policy, particularly the peace treaty with Israel. The Moslem Brotherhood has tried to attack this in religious terms and the intellectual elite has sought to depict it as a betrayal of Nasserite or pan-Arab principles. — G. B.

Changing Needs, New Priorities Reshaping Tourism Industry

(Continued from Page 7S)

compared with 1979, but the rise is accounted for by Palestinians from the Gaza rather than by Saudis or Kuwaitis.

Realizing the fickle nature of many a package tourist, the Egyptian authorities have been trying to broaden Egypt's tourism profile. The major areas of development include: the Mediterranean coast west of Alexandria, where the coastal strip has been sold for beach holiday development to private investors and cooperatives; the Sinai, where plans exist to expand tourist facilities at the St. Catherine monastery and where a major hotel project is in progress at Al-Arish; and the Red Sea coast, which has the promise of becoming one of the world's major scuba diving centers.

Traditional Centers

Hotel building in the traditional tourist centers — Cairo, Luxor, Aswan and Alexandria — has raced ahead in recent years as a result of Egypt's open-door policy, which has attracted well-known international hotel groups and a large volume of investment funds from the Gulf states. The Tourism Ministry's target of 17,000 extra hotel rooms by 1983 will now be

covered by developments in Cairo and its suburbs alone, and by 1985 the number of rooms is expected to exceed 50,000.

Among the latest major developments are plans to modernize the Heliopolis Palace Hotel, to build a 750-room Hyatt Hotel in the new Arab International Bank Center, to complete the Marriott Omar Khayam, and to expand the Ramses Hilton. Two tourist villages are to be built on the west bank of the Nile opposite the city of Aswan; they are to accommodate the extra tourists expected to visit the newly restored temple of Philae on the island of Aglika.

Building problems and delays still arise in Cairo, and more particularly in Upper Egypt, where the basic supporting services of the tourist towns have not always kept pace in line with the hotel boom. One short-term answer has

been to use floating hotels — a descendant of the paddle steamer immortalized in Agatha Christie's "Death on the Nile" — and by the end of last year 22 of these vessels were to have been in use.

Transport to and from Upper Egypt, and from Cairo to Alexandria, has been made quicker, cleaner and generally more comfortable. Most tourists now fly into Luxor and Aswan, where the airports have been upgraded to accommodate wide-bodied jets, and an Arab-backed private airline, Arabia, and Air Alexandria have recently started operating on inter-continental flights. But even overnight trains are being made more comfortable with West German replacements for the aging East European sleeper cars.

The tourist boom has raised an odd assortment of problems. Volunteering has led to increased damage to some of the country's invaluable monuments. The situation in Luxor's Valley of the Kings and Karnak is so desperate that the World Bank has lent Egypt money to carry out a crowd-management study with an eye to introducing a strict guide system around the tombs.

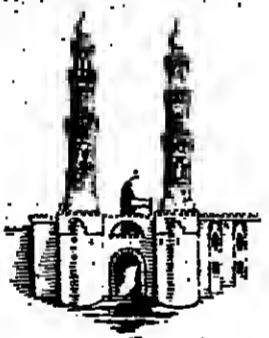
There is also a danger that increased organization by package-tour operators may affect the livelihood of the unofficial guides, carriage drivers and hawkers who crowd the banks of the Nile cities.

The new generation of internationally managed hotels might also begin reducing staffing levels from the high ones prevailing in hotels run by the state-operated Egyptian General Organization for Tourism and Hotels. The character and charm of old favorites such as Sphered, the Old Cataract Hotel and the Old Winter Palace are already being challenged in the name of efficiency. In Cairo, the new, smaller first- and second class hotels have already begun to affect occupancy rates, which now average 60 percent, down from 91 percent in the 1970s. Profit margins are beginning to be squeezed.

With the Tourism Ministry losing authority under President Anwar Sadat's new liberalization policies, there is a real danger that tourism's contribution as a major source of employment, this, and the large profits remitted by foreign hotel chains, will have to be accounted for in working out the real value of tourism to Egypt. Expansion of this sector at high cost and for a market highly sensitive to fluctuations in the world economy might seem unwise and not particularly profitable when weighed against the potential harm to the country's priceless heritage.

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بنك القاهرة

Figures from our Balance Sheet as at June 30th, 1980

LIABILITIES	In Thousand of Pounds		ASSETS	In Thousand of Pounds	
	31.12.1979 (One Year) L.E.	30.6.1980 (Half Year) L.E.		31.12.1979 (One Year) L.E.	30.6.1980 (Half Year) L.E.
Capital Reserves & Provisions	172,218	193,055	Cash in hand & Balance with Banks & Correspondents	595,641	725,647
Deposits and Current Accounts	1,087,860	1,258,319	Total Investments	159,532	165,945
Banks & Correspondents	105,611	96,473	Total Advances & Loans	678,423	757,715
Sundry Credit Balances	113,111	132,860	Sundry Debit Balances	45,204	31,400
	1,478,800	1,680,707		1,478,800	1,680,707
Contra Accounts	828,953	970,372	Contra Accounts	828,953	970,372

Profit & Loss Account from Period 1.1.1980 to 30.6.1980 (Half Year) Compared with Period 1.1.1979 to 31.12.1979 (One Year)

INCOME	1979 (One Year) L.E.		30.6.1980 (Half Year) L.E.		EXPENSES	1979 (One Year) L.E.		30.6.1980 (Half Year) L.E.	
	Interests Received	107,232	62,828	Interests Paid		48,331	29,052	Salaries & Wages	12,462
Investments, Earnings & Commissions	9,756	5,374	General Expenses	7,820	5,036	Provisions	50,675	16,690	
Earnings from Foreign Exchange & other Transactions	50,482	22,794	Net Profit	48,182	35,102		167,470	90,996	
	167,470	90,996		167,470	90,996				

Chairman: Mr. Mahmoud Fahmi Laban

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 - Cairo Amman Bank - Amman - Jordan
 - Cairo Barclays International Bank - Cairo
 - Banque du Caire et de Paris - Le Caire
 - Cairo Far East Bank - Cairo
- PARTICIPATING IN THE FOLLOWING BANKS**
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 - Housing & Development Bank - Cairo
 - National Bank for Development - Cairo

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International Connection in the Middle East.



Economy Shifts Toward Balance

'The turnaround in the balance of payments has been impressive and looks like it will last for a while...'

(Continued from Page 7S)
 Intentioned efforts is an overweight bureaucracy caught up in the tangle of its own red tape. Most people think the deputy premier will be lucky to complete his tax reforms within two years, and there is suspicion that the civil service will quietly sabotage efforts to dismantle the public sector.

But the greatest problem in trying to get the Egyptian economy moving is the accelerating growth of the population. There are about 42 million Egyptians today crammed into an inhospitable area not much bigger than Wales. Recent estimates by the World Bank suggest the population is growing at a rate of 2.9 percent a year. The number of people seeking employment grows every year by about half a million, so a major proportion of GDP growth is simply swallowed by the population increase.

But to be fair, much credit is due. The turnaround in the balance of payments has been impressive and looks like it will last for a while. Foreign exchange earnings from oil exports leaped last year to \$2.9 billion from \$1.8 billion in 1979. Remittances from Egyptian workers overseas (chiefly in the oil-rich Gulf states) went to \$2.8 billion in 1980 from \$2.2 billion in 1979.

Major increases were registered in hard currency earnings from tourism (\$700 million in 1980), Suez Canal transit fees

(also \$700 million, and expected to go up considerably this year after a hike in rates), and cotton (\$425 million). As a result of all this, foreign currency reserves doubled in 1980 to reach \$1 billion.

The government claims to be making similar progress by balancing the budget. The advent of Mr. Meguid saw a change in the financial year — now to run from July instead of January — and therefore an excuse for a new budget to replace the one drawn up at the beginning of the year.

Some fancy footwork by Mr. Meguid overnight converted a projected deficit of 975 million Egyptian pounds into a small \$215-million surplus. And this was accomplished despite an increase in subsidies for basic commodities from \$E944 million to \$E1.5 billion.

In fact, this dramatic improvement exists largely on paper. What Mr. Meguid seems to have done is to abolish the investment budget from the expenditure side of the balance while keeping revenues the same. The government claims it can meet investment requirements of just over \$E4 billion (of which the public sector requires about \$E3.2 billion) entirely rather than only

— to escape from its prolonged credit negotiations (a 1978 standby credit was suspended when the government failed to stick to budgetary guidelines).

Now the International Development Agency (the World Bank's soft-loan arm) is thinking about halting concessionary loans to Egypt on the ground that it is healthy enough to do without them. The World Bank is prepared to make up for the loss and more, but at much steeper interest rates.

Mr. Meguid managed to persuade the Consultative Group to increase its 1981 pledges by one-third to almost \$3 billion. But the donors will not go on dispersing funds while Egypt stores up a backlog of foreign aid. The deputy premier's big problems lie ahead: He must strive to keep inflation in check as money continues to flow in from abroad; he must revitalize industry by introducing an element of competition; he will have to reverse the eternal rise in subsidy costs; and he must make sure that the foreign aid Egypt is getting goes where it can be most efficiently used. Although he seems genuinely committed to seeking long-term solutions, there are grave doubts about whether he has the political stamina — to carry out efficiently all the jobs he has taken on. The government often has been tempted into sacrificing fundamental change for short-term expediency.

Banking: Channeling Funds Where Needed

CAIRO — Egypt's banking problem is how to assemble the funds that are available to the country and direct them to the areas where they are most desperately needed — financing (or development) projects and foreign exchange for capital goods imports.

In keeping with his performance in other sectors of the economy, Deputy Premier for Economic Affairs Abdul Razzag Abd Meguid has presided over several new banking projects designed to do this.

He has appointed himself chairman of the new National Investment Bank, which is intended to act as a fund through which official investment expenditure is channeled. In effect, it supplants the allocation of these funds through the old investment budget, which Mr. Meguid scrapped last year. The money will be pooled and dispensed as projects come up. Instead of being dispensed according to each fiscal year, the NIB's capital will come from Mr. Meguid's (possibly non-existent) budget surplus, returns on investment, borrowing and, perhaps in the future, from government bonds.

That, at any rate, is the theory. In practice, the NIB is functioning at present as little more than an adjunct to the Ministry of Economic Affairs. Although its intentions are excellent, it is still on short-staffed to undertake thorough project evaluations.

Much more realistic for the time being is the National Development Bank, created under Law 43 (which deals with the investment of Arab and foreign funds in Egypt) to help finance development projects in the governorates.

The NDB is the brainchild of Osman Ahmed Osman, who heads the ruling National Democratic Party's development committee (and who was appointed deputy premier for popular development earlier this year).

In keeping with the trend toward decentralization, the governorates are supposed to be taking much greater charge of their own development plans. The NDB is playing its part by setting up provincial mini-development banks that will help tap local funds.

Even more far reaching is the projected Import-Export Bank, which will take over the financial affairs of Egypt's 13 public-sector trading companies. The new bank will in reality be a holding company for the trade concerns along the lines set out for the transformation of the public sector, whereby government ownership is divorced from day-to-day management. It will be another step in the gradual dismantling of the state's trading monopoly.

When it is operational it will make available a greater amount of export finance.

Being set up now is the new Egyptian International Bank with subsidiaries in London, Paris and New York. The EIB is intended to tap some of the business arising from Egypt's estimated annual \$18-billion export and import

trade, which it is felt has fallen disproportionately into the hands of foreign banks since the Arab boycott in 1979.

The boycott has particularly affected the big offshore banks (the Arab African International Bank and the Arab International Bank) and raising funds on the Euro-market became difficult because of the withdrawal of other Arab banks from Egyptian loan plans. Now that Egypt is comparatively flush with foreign exchange, however, this has become less of a drawback.

Another move taken last year to funnel more foreign exchange into the state system was the permission granted to the big nationalized banks to deal directly with Gulf money dealers on the open market. Previously, the lucrative business of handling foreign workers' remittances back to the country had been the preserve of the private banks, which are understandably worried about the prospective loss. On the other hand, new opportunities are opening up for the private-sector banks with the ruling that they will be allowed to compete with the state banks for public-sector business.

One of the biggest bones of contention is the role of the foreign banks. There are now 56 foreign banks operating in Egypt (26 of them joint ventures under Law 43),

and they are frequently accused of not doing enough to help development. The joint-venture banks are handicapped by the tight monetary policy of the government and fixed interest rates, and all have preferred to concentrate on trading.

The government tried to do something about this by insisting last summer that all the foreign banks deposit 15 percent of their foreign exchange holdings with the central bank. The official rationale was that the government needed the hard currency for development projects that the foreign banks were unwilling to finance.

In fact, the regulations were so ambiguous that they were only barely put into practice. Eventually, with some apparent art-twisting, the government was forced to back down, claiming that it had suddenly found sufficient funds, and the banks are now obliged to make the deposits if requested by the central bank.

Much more successful has been Mr. Meguid's interest policy. By increasing rates twice last year, he was able to attract more funds from foreign workers' savings, cash that had been stashed away inside the country and profits from real estate. This will have major implications for the complex exchange rate system by putting pressure on the open market rate.

Embassy Symbolizes U.S. Ties

(Continued from Page 11S)
 Airborne Division and a squadron of A-7 ground-attack fighters from the United States to Egypt.

These elaborate and costly maneuvers were designed to test the operational feasibility of President Carter's vaunted Rapid Deployment Force, and also to provide an opportunity for Egyptian troops to participate in joint exercises with the Americans. President Reagan would like the American military presence in the Middle East to grow, and Egypt will play a central part in his plans. But it looks as though ambitious plans to upgrade the Ras Banas Air Base on the Red Sea as a jumping-off point for U.S. bombers, long-range spy planes, refueling aircraft and troop transports will prove too expensive. Pentagon estimates last year touched \$400 million.

U.S.-Egyptian cooperation is not exclusively political. U.S. economic assistance is currently running at about \$1.25 billion a year, and USAID is involved in a broad range of ventures (too broad, according to some U.S. companies, which feel that a greater concentration of U.S. funds would allow them to win some of the really big contracts in Egypt).

USAID is putting up \$40 million for Misr Rayon to build a polyester fiber plant, contributing to the foreign exchange costs of a multi-process chemical complex at Fayyum and providing aid to two joint-venture cement plants. USAID is especially keen on promoting the private sector and has

becoming too aligned militarily to a superpower. Officials reiterate that there are no U.S. bases in Egypt and never will be. The American Embassy in Cairo has been careful to get U.S. troops and aircraft out of Egypt promptly when their exercises have been completed, but Washington is trying quietly to insist that President Sadat commit himself in writing to the use of military facilities by the United States. Such a move would not be popular here.

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EGYPT YOUR OPEN DOOR TO OPPORTUNITY

In recent years the "open door" policy has become a fundamental factor in Egypt's economic development. Egypt is right now a very attractive location for international investors. The political and social situation has stabilized. Egypt represents a potential market of more than 40 million consumers, and has available a large pool of trained professional and technical personnel as well as a substantial pool of low-cost labour. In the last five years more than 1,000 partners have participated in the establishment of new projects in Egypt. Thanks to the incentives provided by the Investment Law 43/1974, the door has now been opened to foreign investors to join Egypt in pursuing its opportunities.

- Right to purchase foreign currencies in the commercial market.
- Exemption or deferment of payment of customs duties.
- Freedom from local taxes for all free zones projects.
- Freedom from duties or taxes on goods transported between Free Zones and foreign countries.
- Protection for foreign investment under the World Bank's international "Convention for the Settlement of Investment Disputes with the Nationals of Other Countries," in addition to 14 bilateral agreements that provide such protection, including the U.K.

PRIORITIES
 The new five-year plan (1980-1984) is currently under way. We are seeking partners in almost all activities. However, we give particular priority to agricultural projects and agro-industries. Industrialization of the building sector and the construction industry is also high on the priority list. Tourism has a great future in a country which is fortunately endowed with an immense reservoir of historical and cultural heritage.

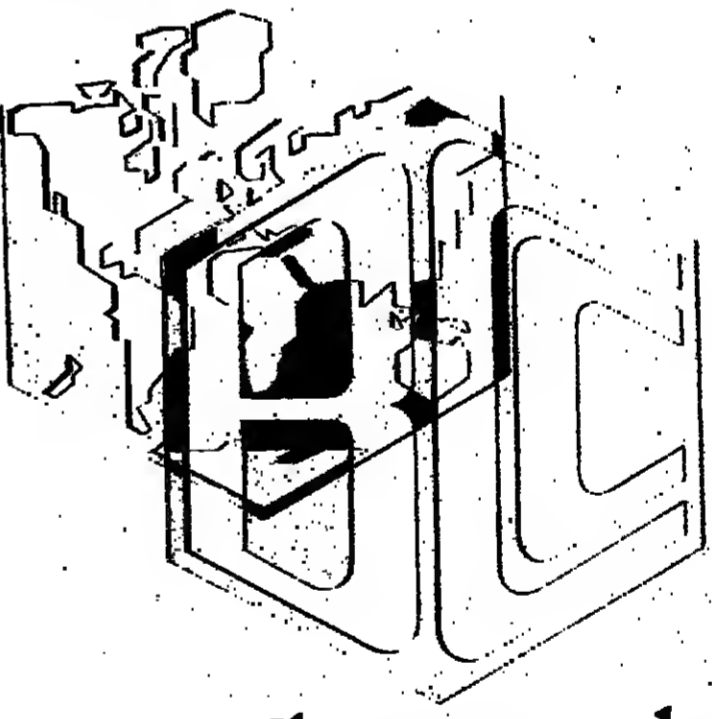
INCENTIVES AND PRIVILEGES
 Egypt's Investment Law N° 43/1974 offers:
 — Guaranteed prompt repatriation of profit and capital.
 — Tax holidays ranging from 5 to 15 years, depending upon type of project.

THE INVESTMENT AUTHORITY
 The General Authority for Investment and Free Zones is the competent body responsible for granting the privileges specified in the Investment Law to newly established projects. GAFI will link into your queries or proposals and will answer you immediately with no delay.

For further information please contact:
 Investment and Free Zones Authority,
 8 Adly Street, Cairo,
 P.O. Box 1007 Cairo,
 Tel.: 902645-923677-934349
 Telex: 92235 INVST UN
 & 348 GAPEC UN.

	Number of Projects		Capital		Total Investment
	Local C.	Foreign C.	Local C.	Foreign C.	
A. Inland:					
1. Investment & Finance	129	275,971	320,339	596,530	661,221
2. Banking	62	306,832	199,848	496,700	496,700
3. Tourism	107	202,945	226,415	428,460	770,975
4. Housing	37	43,821	87,787	131,608	415,107
5. Transport	14	6,143	30,025	36,168	86,318
6. Hospitals & Medical Centers	19	21,047	20,993	42,040	81,122
7. Agriculture	55	80,727	73,176	153,903	345,684
8. Contracting	95	33,133	30,249	63,382	143,322
9. Consulting	24	2,989	5,096	8,085	9,540
10. Services	27	25,319	135,368	161,277	2,140
11. Textiles & Clothing	48	48,545	53,813	102,358	275,392
12. Food & Beverage	95	40,244	97,528	137,772	271,885
13. Chemicals	13	4,214	12,988	17,202	27,336
14. Wood & Furniture	49	59,564	74,825	134,389	308,489
15. Engineering	53	225,041	91,567	316,608	694,800
16. Building Materials	26	13,646	20,548	34,194	46,912
17. Metallurgicals	9	8,516	8,552	17,068	32,550
18. Pharmaceuticals	11	16,466	22,086	38,552	105,484
19. Mining & Petroleum					
Total	956	1,485,741	1,581,708	3,067,449	5,738,582
B. General Free Zones:					
1. Cairo	43	921	40,583	41,504	58,543
2. Alexandria	69	625	44,779	45,404	77,225
3. Suez	44	541	28,185	28,726	30,677
4. Port Said	110	1,600	97,343	98,943	127,474
Total	266	3,687	206,800	219,577	285,919
C. Private Free Zones:					
1. Cairo	21	2,781	43,198	45,979	107,257
2. Alexandria	33	5,187	122,242	128,029	917,847
3. Suez	3	26,619	26,619	31,069	
4. Port Said	5	60	6,815	6,815	19,254
Total	62	8,628	209,474	209,922	1,070,607
Grand Total	1,287	1,497,456	1,990,872	3,487,528	7,100,108

Superpower Ties
 How much further President Sadat can afford to go is questionable. There seems little possibility that Egyptian troops would take part in any U.S. rapid intervention, chiefly because they lack adequate air-transport capability. Furthermore, Egyptians are wary of



MINISTRY OF ECONOMY, FOREIGN TRADE AND ECONOMIC COOPERATION

Bank Sector

- Central Bank of Egypt
- National Bank of Egypt
- Bank Misr
- Bank of Alexandria
- Bank of Colra
- Egyptian Real Estate Bank
- Arabian Real Estate Bank
- Industrial Development Bank

Cotton Sector

- The General Organization for Cotton Arbitration and Testing
- The General Organisation for Ginning Development
- Misr Cotton Export Co.
- Port-Saïed Cotton Export Co.
- Alexandria Trading Co.
- Cairo Co. for Cotton Trading and Export
- Eastern Co. for Cotton
- Joint Stock Co. for Cotton Trading and Export
- Misr Cotton Ginning Co.
- El Arabia Cotton Ginning Co.
- The Delta Cotton Ginning Co.
- El-Wadi Cotton Ginning Co.
- El-Nile Cotton Ginning Co.
- Misr Cotton Pressing Co.

Foreign Trade Sector

- The General Organization for International Exhibitions and Fairs
- The General Organization for Export and Import Control
- Misr Foreign Trade Company
- El Nasr Export and Import Company
- Misr Import and Export Company
- Tractors and Engineering Company
- General Co. for Trading and Chemicals
- Arab Foreign Trade Company
- General Co. for Engineering Works
- Misr Car for Trading Company
- El Nil Co. for Export Agriculture Products
- El Wadi Co. for Export Agriculture Products
- Commercial Timber Trading Co.
- El-Nasr Co. for Dehydration of Agriculture Products

Insurance Sector

- Egyptian General Organization for Insurance
- Misr Insurance Company
- El-Sherk Insurance Company
- National Insurance Company
- Egyptian Co. for Re-Insurance

The way to look at Egypt is through BCC

The Bank of Credit and Commerce Group now has 12 offices in Egypt and there will be many more when its new joint venture Bank of Credit and Commerce (Misr) goes into operation shortly — a fact which makes it particularly well-equipped to help with business dealings in this important area. The Group's capital funds stand at over US\$291 million, and total assets exceed US\$5,300 million. It has offices in 46 countries. Speed, efficiency and your convenience are what count at BCC. Contact us at any of our Offices; or at the following addresses:

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 Cairo (8 Branches) Main Branch: 9 Talaat Harb St.
 Phone: 752877/752946. Telex: 92521 BCCI UN.
 Port Said Branch: Villa Tira, Tahr El Bahr St.
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هكذا من الاصل

Fashion

Yves Saint Laurent Lifts Hems to Knee or Above

By Hebe Dorsey
International Herald Tribune
PARIS — Leave it to Yves Saint Laurent to clear the air. The 1 to show his ready-to-wear collection, the most influential of Paris designers Wednesday had the first word on everything, including ris — and the answer is short, not mini. Ultrashort and spped neatly at the knee, or just ave, they looked terribly provocve, especially with high heels d sexy black stockings. Although the collection included lot of longer skirts, they came e in the game and did not look if as good as the short ones. At e point, a long, brown satin, undamtherly Queen Mary gown g a sad note after a short, pepu dress. At a time when Paris designers under attack from internation-talents sprouting right and left, int Laurent is also the one such designer who still comes yss as pure Parisian, with that zote mixture of arrogance, resemment and authority that boils wn to international chic. "The French ought to stuff him j make a national monument ; of him, like the Eiffel Tower," d Morton Schrader, the publish-r of the U.S. Harpers' Bazaar.

carried away by any nonsense. From the hard-chic pantsuits, with sleek, narrow and cuffed pants, to the softly ruffled and draped evening dresses, there was no room for folklore or fantasies. The wild styles of the last few days were blotted out as Saint Laurent's girls came out, as clean and clean-out as chic convent girls. Unlike most of the shows this season, Saint Laurent's was controlled, realistic, spare and precise. Outside of pantsuits (which included a set of his-and-hers wedding outfits) Saint Laurent did quite a lot of short, snappy suits with narrow skirts, some of them so tight they had a vent in the back. There was no question that he wanted to keep legs in the picture; even his long skirts were slit to the top of the thighs.

A leather lover (he was first to put leather on Paris couture runways, back when only cab drivers wore it), Saint Laurent showed even more of it this season. He even threw a screaming hot pink leather blouson over a black silk skirt. The leather versions of his themes included knickers, tunics, skirts and coats. In one solidly leather outfit, he combined a blue blouson with black knickers and cafe-au-lait coat.

Some of the most interesting work was being done with fabrics and it will not take long for the Saint Laurent copies to be seen in the street. To list just a few: this corduroy, for newer looking and more democratic pantsuits; all the plaids, including mohair and taffeta; plaid and velvet combinations, quilted velvets and velvet touches; sleek satins in bright, jewel colors, and gilt and black stripes for evening pants.

It was clear that buyers loved long tunics over short skirts and the full, cocoon-shaped blouses.

updated with new floral prints — they're so easy to sell. But the one beauty that went by almost unnoticed was a simple, black, asymmetrical coat-dress, its hem cut back to show a good deal of leg. Accessories at Saint Laurent's were also interesting. All in Art Deco style, and reflecting a trend that's beginning to spread all over town, they were geometric, strong and sassy, especially the fake diamonds cuffs. Everybody has copied Saint Laurent's shoulder shawl, so he came up with a new one — a long plaid stole, edged with bicolor fur. That, and a number of soft marabou boleros and a startling black-and-white, zehrs marabou jacket, were the only fluff in that otherwise strictly edited collection.

of Oriental inspiration, that was not cluttered up with his usual excess of complicated accessories. DIOR's show was full of Marc Bohan's new duffle coats, which he did in all lengths and as many fabrics for day and evening. Bohan also struck a modern Chinese theme that was subtle and rarely costume-y. The seat of honor usually reserved for Louise Rouet, wife of chairman and chief executive Jacques Rouet, went for the first time to Rouet's supposed deputy, Herve Maupin, secretary general of Agache Willot, and a close colleague of the Willot brothers, who now own Christian Dior. It has been rumored for months that Maupin will some day take control of Dior.

Other Showings

PARIS — Other Paris haute couture designers also showed this week but they usually tell it all in their custom-made collections shown two months earlier. The results are often so close to couture that it is hard to tell the difference. Here is how Women's Wear Daily, which looks at these clothes with a customer's point of view in mind, appraised the following houses:

UNGARO makes a beautiful statement for the long and refined in a rich and sensuous collection that is one of his best ever and certainly a four-star collection by any standards. Ungaro has filled his collection with wonderful, long shapes and some of the best coats and suits in Paris. He shows a sure hand in his use of rich fabrics and mixed patterns, which are done with subtlety and sophistication.

His coats are sure winners, especially the slim and spare black coat with an asymmetrical closing. And there is a spectacular group of silk Oriental prints alive with color and movement. "We will be buying Ungaro for the first time and it is a thrilling prospect," said Dawn Mello of Bergdorf Goodman (who this season is parting company with Givency).

VALENTINO doesn't miss a glitter, ruffle, bustle, sequin, jewel, ostrich feather, tuck, pleat, or lace-over fur, velvet over velvet, fur over leather, double bermudas, double short pants, double culottes, double skirts.

CHANEL — No matter what Philippe Guibourg does to the Chanel collection — and it has nothing to do with the late Coco Chanel — retailers say they buy it because it sells.

GIVENCHY reflected quiet good taste. The best of Givenchy: the wide-striped wool coats in beathery tones and the printed crepe de Chine dresses. But it was his extensive group of evening clothes that had the audience charmed.

JEAN-LOUIS SCHERRER showed a feminine collection, full

Insects Found in Mummy

The Associated Press
BRISTOL, England — The remains of plants and about 80 beetles and other insects have been found by scientists unwrapping a 3,000-year-old Egyptian mummy at Bristol University.



Ungaro's long look (left) and Saint Laurent's short suit.



Charles Coré



Gunter Konrad (left), Tobias Schneebaum with Asmat mask.

Art

A Glimpse of the Headhunters' World

By Gale Wiley
International Herald Tribune
HOFHEIM, West Germany — For the average fellow in Asmat, New Guinea, the only way to get ahead in the world is to get a head. So basic to Asmat culture is head-hunting that a boy cannot become a man until a human head (stans body) is presented at his initiation ceremony.

"Head-hunting is not an arbitrary action against neighboring groups, but is seen as a necessary part of life, an activity handed down through myths," said Gunter Konrad, zoologist and curator of an extraordinary exhibition of Asmat cultural objects, including skulls and head-hunting gear, on through April 20 at the Stadthalle in Hofheim near Frankfurt.

The show, which represents years of painstaking collection by Konrad, his wife, Ursula, and a U.S. anthropologist, Tobias Schneebaum, offers a rounded sampling of about 390 Asmat artifacts, from shields, spears, daggers and skull trophies to Stone Age axes and bammers, dugout canoes, one-note flutes, lizard-skin drums, and rattan firemaking equipment. There are eerie ancestor poles (some as tall as 25 feet), "souls ships" (footless dugouts for the dead), and body masks of sago palm and rattan — all used as part of the Asmat peoples' ancestral rites that require homage to dead relatives in the form of carvings.

Intricate Objects

Some of the most intricate and beautiful objects include string necklaces of dogs' teeth and Capricorn beetle breasts, armbands of woven rattan, headbands of casowary feathers, nosepieces of seashell, and a host of other body decoration using human hair, jawbones and animal teeth.

"But most of the artifacts here are made of wood," said Schneebaum, author of two books about life with the primitives, "Wild Man" and "Keep the River on Your Right." They eat the pith of the sago tree, build their homes among stands of mangroves, and carve totems, boats, sculp-

ture, bowls, pipes and spears of varieties of woods, mostly soft mangrove. In fact, the people of Asmat believe that their creator — Fumeripitj — carved man and woman out of the sago tree. Using a hollowed out tree, he drummed life into the two figures. This is Asmat's explanation of creation. In Asmat a tree is a person.

To Asmatians, Schneebaum explained, the body and spirit are united freely, the spirit wandering at will. Dead ancestors as carvings provide a home for the spirit and thus become "living."

Only after highly elaborate feasts can the dead move forever into the land of the ancestors on the other side of the sea, where the sun goes down and sky meets sea.

Konrad and Schneebaum say that living among headhunter tribes is no more dangerous than, say, living in New York, and they dismiss as rumors some of the more grisly explanations of the disappearance of Michael Rockefeller in 1961 in the same region, the southern coast of Irian Jaya where large parts of huge jungle swamp is flooded at high tide.

"You are in the jungle; you have the tides, rain and water and snakes," Konrad said, "but the people are nice."

Of course, Schneebaum added, neighboring villages regularly fight one another.

"Even small villages are often divided, and there's nearly always something going on between the two," Schneebaum said. "You hear screaming in the middle of the night or you see someone walking into the village with an arrow hanging from his leg."

To collect artifacts, Konrad and Schneebaum had first to win the

confidence of the natives, convincing them that they were truly interested in Asmat culture and the people themselves. Many of the pieces were hattered for with iron axes, fishhooks, bush knives, or tins of tobacco.

"Most of the objects were collected by 1971," Konrad said, "but we had to wait nine years to find a way to move the collection to Germany."

Meanwhile, wood-eating bugs chewed away at the collection, which was stored in huts. Schneebaum spent some of his time fumigating the wood to kill the insects.

After a wealthy German entrepreneur took an interest in the project, the collection was shipped on a freighter carrying copper concentrate to Hamburg.

Different View

Both Schneebaum and Konrad say their experience with the New Guinea people of Asmat did not change them, but they now see the world through different eyes.

"The people are happy, contented," Konrad said. "They are free of objects, from rushing around. They live from their surroundings. They don't plant anything. They get all they need from the jungle. From the sago tree — their primary food. They hunt wild pig and fish crab and shrimp."

But the pressures of the modern world, its desire for oil and wood and raw metals is raping this primitive world, which makes the collection even more important.

"The wood cutting and oil pollution from the drilling rigs are threatening this world," Schneebaum said. "One major oil spill and the Asmat people will see all their food ruined."

The London Stage

'Getting Act Together' Is a Failure at Doing It

By Sheridan Morley
International Herald Tribune

LONDON — The only musical in London with a title very nearly as long as its running time, "I'm Getting My Act Together and Taking It on the Road," comes to the Apollo from three years off-Broadway and considerable success elsewhere, unless you count Adelaide, Australia, where it was described in the local press as feminist flop drama.

It turns out to be neither especially feminist nor a flop, though it does have certain distinct problems. As a musical it stems more or less directly from "A Chorus Line," in which for the first time in a hit show performers discussed onstage what made them performers, what their parents thought of their choice of career, and what chances they had of survival. Backstage musicals had been around long before "Chorus Line." Since "Chorus Line" what we have is the backstage psychiatric musical, where the audience is invited more or less directly to play analyst while souls are bared in up tempo.

So here is Heather, played by Diane Langton in the kind of show-stopping form that on Broadway would make her an overnight star and here will just cause people to go on asking why we have no real musical headliners. The "act" is set on her 39th birthday, an anniversary she has chosen to celebrate by stripping down her nightclub and TV act and rebuilding it along radical '70s lines. Out goes the easy schmaltz of songs like "In a Simple Way I Love You," in comes "Strong Woman Number" and "Put in a Package and Sold." And it is one measure of the show's success that its author-coproses, Gretchen Crver and Nancy Ford, are able to write both types of song with equal facility.

Feminism and Commercialism

What they have failed to manage is much of a book. We are told that it is Heather's birthday, introduced to her manager (Ben Cross), who wants the act put back the way it was because it's more commercial that way, and that's about it for plot. The massive flaw in this is that in mid-'70s America where the act is set, a feminist nightclub routine would in fact have been a vastly more commercial project than the old "soft" one, and any manager unable to realize that is a manager hardly worth bothering with, which is presumably how the authors felt as they have him shamble offstage midway through

the second half in pursuit of a suicidal wife.

But as there are no other characters save a backing group and a remarkably cheerful pianist (Stuart Pedlar, nattily attired in a tweed hat) we are left with a solo routine with occasional interruptions rather than an actual show. And because Crver and Ford have a welcome if only occasional urge to parody the whole feminist theme, the message here gets to be more than a little schizoid. Diane Langton is never really allowed to make you believe that the act ever was or ever will be especially good, and when the score does finally take off we are already 80 minutes into a 90-minute show.

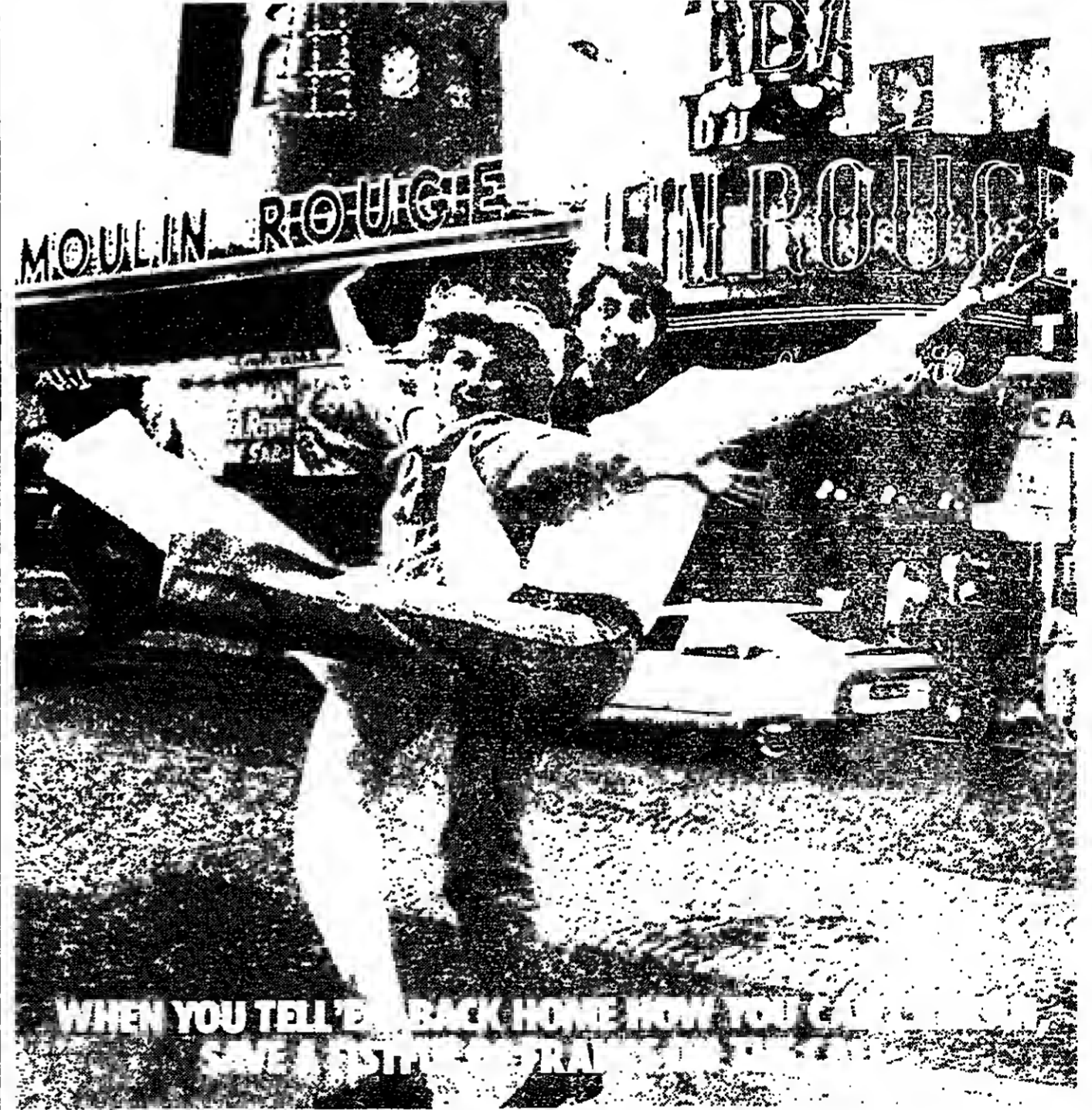
Seen without an interval, someplace where you could watch with a drink in your hand, I have a feeling this might be a very powerful show. Seen at the Apollo in two 45-minute sections with a long break, the power is somehow never quite there. The result is sort of dramatic concert, as effective on LP as onstage; a curiously untheatrical treatment of a very theatrical theme.

At the King's Head for a brief lunchtime season, Neil Tiley had an interesting solo show about Oscar Wilde in his final Parisian months of exile. Anyone doing a solo Wilde still has to compete with the memory of Micheal MacLiammoir and those cascading Irish tones. What Tiley wisely offers is less an impersonation than a summary of Wilde's last letters. It is August, 1898, Oscar's friends are all in Trouville and his enemies all in Deauville, and a stay in Switzerland has been abandoned on account of the country being entirely populated by theologians and waiters. To the observation that all drama critics can be bought he adds, "and judging by their appearance they can't be expensive."

There are some good jokes, plus a glimpse of the bitterness beneath them as the laughs shade down to a final dying despair and the awful realization that man at the last has only three choices: this world, the next world or Australia. Tiley deserves a return visit to the London theater.

Pope's Play to Be Filmed

ROME — A play written by Pope John Paul II about the ups and downs of love and married life is to be made into a film, an Italian cinema company announced. The pope wrote "The Jeweller's Shop" in 1966 when he was bishop of Krakow.



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NYSE Nationwide Trading Closing Prices Apr. 8

Tables include the nationwide prices up to the closing on Wall Street.

Table with multiple columns listing stock symbols, prices, and market data for various companies.

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Halt to AT&T Suit Urged by Weinberger

WASHINGTON — Defense attorney Casper Weinberger has urged the attorney general to dismiss the government's anti-trust suit against American Telephone & Telegraph Co. ...

BUSINESS NEWS BRIEFS

Seagram Withdraws Bid for St. Joe Minerals
New York — Joseph E. Seagram & Sons Tuesday withdrew its \$45-a-share offer to buy St. Joe Minerals Corp. ...

Bonn, Paris Join in Economic Plan

By John Tagliabue
New York Times Service
BONN — West Germany and France Wednesday announced plans for a major international bond issue to fund measures in both countries to cut energy use and to stimulate long-term industrial investment. ...

Wall Street Prices Edge Slightly Ahead

From Agency Dispatches
NEW YORK — Prices were slightly higher at the close of the New York Stock Exchange Wednesday. Trading was moderately active. ...

Hongkong & Shanghai Sea Merger Benefits

HONG KONG — Hongkong & Shanghai Banking Corp.'s earnings and assets per share would increase about 15 percent in 1981 if its \$498.3 million rival bid for Royal Bank of Scotland Group Ltd. succeeds. ...

BASF Sees No Upswing This Year

LUDWIGSHAFEN, West Germany — BASF, the West German chemical maker, said it has recorded an increase in new orders in the current year, but sees no improvement in the company's overall position. ...

Statoil Forecasts Higher 1981 Profits, Sales

OSLO — The Norwegian state-owned Statoil group expects net profits of 1 billion kroner (\$184 million) this year after profits of 203 million kroner in 1980, managing director Arve Johnsen said Wednesday. ...

Takeover Fight for MacMillan in New Round

TORONTO — A dispute Tuesday over corporate takeover rules could indicate that the tug-of-war for control of MacMillan Bloedel may not be about to end, despite a recommendation from MacMillan directors that shareholders accept the 62-Canadian-dollar (\$52), cash and shares offer of Noranda Mines of Toronto. ...

Electronics Reshapes Japan Tool Sector

TOKYO — The application of microelectronics to mechanical tools is revolutionizing Japan's machine-tool business and is bringing new potential to electronics concerns. ...

CURRENCY RATES

Table with columns for currency, rate, and date. Includes interbank exchange rates for April 8, 1981, and dollar values for various currencies.

COMPANY REPORTS

Table listing company reports with columns for company name, year, revenue, profits, and per share values.

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Tables include the nationwide prices up to the closing on Wall Street.

Market data table with columns for 12 Month Stock, High Low, Div, P/E, and various stock symbols like AIG, AIGP, AIGS, etc.

Market data table with columns for 12 Month Stock, High Low, Div, P/E, and various stock symbols like AIG, AIGP, AIGS, etc.

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ADVERTISEMENTS INTERNATIONAL FUNDS

Table listing international funds with columns for fund names and their net asset values.

Floating Rate Notes

Table of floating rate notes with columns for bank names, coupon rates, and maturities.

Selected Over-the-Counter

Table of over-the-counter securities with columns for security names, prices, and yields.

Advertisement for Tokyo Pacific Holdings N.V. on January 1, 1980 and April 6, 1981.

Handwritten Arabic text at the bottom left corner.

Bache Bid Spreads Prudential's Roots

By Karen W. Aronson

NEWARK, N.J. — Prudential Insurance Co. of America, not content to be both the largest insurer and the largest private equity manager in the United States, is seeking rapid expansion in financial services in its newly announced bid for the Group, the fifth-largest reinsurance firm in the country. "Acquiring Bache will be a very significant step in our strategic plan to offer a broad range of financial services," said Robert A. C. Prudential, 55-year-old chairman. "From our standpoint, it is an extension of a program we've already been on."

For more than a decade, Prudential has been actively expanding from its roots as a life insurance company, and has flowered into a broad-based financial product and services operation with diversification into leasing, interlocking sales, property and casualty insurance. It had tried, unsuccessfully, to buy several mutual fund companies and a regional storage. But none of its moves successful or otherwise — has weighed its intent as dramatically as its \$385-million bid for Bache's \$32-a-share tender offer (April 17).

The Bache acquisition will add the insurance company, with \$60 billion in assets, into its competition with the likes of Merrill Lynch and Citibank.

Some Skepticism

Whether Prudential will succeed in pushing Bache into the forefront Wall Street is an open question. Critics of other financial institutions say that they admire Prudential's boldness, but are dubious about the chances for success. Coy Ekhard, president and chief executive officer of the Equitable Assurance Society of the United States, has pointed to the up-cyclical nature of the securities industry and said that Prudential "has got a tiger by the tail."

And a chief executive officer at another major insurance company, who asked not to be identified, said: "I don't think there's anything in it for Prudential in the short term." But, he added, "Long term, it may look like a stroke of

genius, since there are significant changes going on in the financial marketplace.

Prudential's top executives seem oblivious to the criticism, and appear to be relishing the prospect of fresh competition.

"We've never said we have to be No. 1 in everything we do," remarked David Sherwood, Prudential's 58-year-old president. "But we are uncomfortable when we are not No. 1, and I'm sure that will apply to Bache," he said.

The company that Prudential is trying to acquire has long been criticized for putting internal office politics ahead of operational efficiency and profitability.

In recent years, Harry A. Jacobs, Bache's chairman and chief executive, has brought some stability to the firm. But last year's stunning failure by the Hunt brothers of Dallas to meet quickly many millions of dollars in Bache margin calls during the collapse in the silver market — a situation that called into question the firm's very survival — and Bache's recent preoccupation with defending itself against a potential takeover by the Bellzberg family of Canada, have raised questions about management capability and direction at the firm.

Although it has pledged to leave Bache's identity intact, Prudential is confident that it can improve the picture at Bache.

"We believe that the present management can improve its operations significantly," said Frank Hoemeyer, vice chairman and chief investment officer at Prudential. "With stable ownership and strong financial resources, they can do many things that will be profitable in the long run, though maybe not in the short run. They can build for the future without having to worry about next month's earnings or next year's earnings."

A year from now, if all goes according to plan, Bache will be all but invisible on Prudential's balance sheet, just another \$385 million of stocks and bonds to the Prudential's immense portfolio. And despite the cyclical nature of the securities business, Mr. Beck said, Prudential hopes over the long term to be able to realize a 12 to 15 percent rate of return on its investment in Bache.

Gas Pipeline Is Sought By Norway

By Martin Baron

OSLO — The Norwegian government is to ask Storting (parliament) to approve a proposed pipeline project to enable North Sea natural gas to be landed at Kaarstoener Hagesund to west Norway. Energy Minister Arvid Johanson told a press conference Wednesday.

Gas from the Norwegian sector of the North Sea has been piped to Britain and West Germany for years but never as far as Norway itself.

An official for Ministry of Petroleum and Energy said the system will cost an estimated 12.5 billion kroner (\$2.3 billion).

Under the project, proposed by the Statfjord group project, a new pipeline company will be established which will own and operate the system.

The major participant with 60 percent will be the state-owned company, Statoil, which will be responsible for the construction and operation of the system.

Other participants will be Elf Aquitaine Norge with 10 percent, Norsk Hydro Produksjon 8 percent, Mobil 7 percent, Exxon's Esso Exploration and Production Norway with 5 percent each, Total Marine Norge 3 percent, and Saga Petroleum 2 percent.

Separately, the government reported that Norway's real gross national product growth on an annual basis will be almost halved to 2.5 percent to the five-year period 1980-85 from 4.6 percent growth in the preceding 1975-80 five-year period.

The forecast for both periods includes total value of goods and services related to Norway's oil and gas sector.

The government added that in view of the present international economic slowdown, not even higher revenue from offshore industries could prevent slower growth than in the previous five years.

The government said that oil and gas production of 90 million tons of oil equivalents a year, its stated production ceiling, still stands as an illustration of moderate exploitation of North Sea resources.

State Officials in U.S. Battle for Banking Businesses

By Martin Baron

NEW YORK — What one critic labels a "war between the states" is heating up as development-minded public officials aggressively court the banking industry and other types of financial institutions.

Delaware fired the opening volley recently when it overhauled its lending laws — instantly fashioning one of the most pro-banking environments in the nation. The target was New York, home of the big money-center banks.

Last February, Delaware wiped out usury ceiling. It permitted rates on consumer loans to fluctuate with the market. And, most importantly, taxes on bank earnings of more than \$30 million were set at one-tenth the combined city and state tax rates in New York.

"What we're trying to do in Delaware is to diversify our economic base," says Gov. Pierre S. duPont. "We're primarily dependent on agriculture, chemicals and autos. Two of those are highly cyclical industries."

Banking, he says, "is the kind of industry we're looking for."

The initial response has been to Delaware's liking. New York's Chase Manhattan Corp., the nation's third-largest bank, has committed itself to handle all new consumer credit business through the state. New York-based J.P. Morgan & Co., which operates fifth-largest Morgan Guaranty Trust, plans to open a commercial lending subsidiary in the state with assets of at least \$4 billion.

Credit operations of retailers

Diminutive Delaware Tries to Become a Luxembourg

and finance companies also are being sought. One aide to the Delaware governor has talked expansively of turning the state into "the Luxembourg of the U.S. for banking and financing."

While Delaware is a "Luxembourg" in size, the rest seems an exaggeration, considering that banks in other financial centers are not nearly as disgruntled as the New York majors. But there is no doubt that Delaware's Financial Center Development Act has stirred controversy, sniping and considerable political reaction in business centers of the Northeast.

One banker flatly declares, "Warfare is breaking out."

Muziel Siebert, New York's state banking superintendent, has complained that "if states keep passing laws to steal banking jobs from other states, it could have an adverse effect on the entire banking system."

Anthony Solomon, president of the Federal Reserve Bank of New

York, has cautioned banks against weakening their home base as an international banking center.

Earlier, New Jersey's governor signed into law various bills that lifted the usury ceiling on most consumer loans and permitted a \$15 fee on credit cards.

In Pennsylvania, another Delaware neighbor, banks and other credit-issuing firms such as retailers and finance companies are lobbying hard for more favorable lending laws. Pennsylvania has a 15-percent interest ceiling on consumer loans and does not permit credit card fees.

Major Pennsylvania banks have threatened to move credit card operations to Delaware if they do not get relief, but the state's treasurer has countered with a threat to remove state deposits from any bank that takes such action.

"I think the state of Pennsylvania ought to face up to the issues before them and remove the usury limits," says Thomas Shriver, executive vice president of the Pennsylvania Bankers Association. "Then, you wouldn't have this war between the states."

Delaware's governor recently visited bank executives in Illinois and California, seeking to interest them in establishing major subsidiaries in his state. While bankers are clearly delighted to see states competing for their presence, California and Illinois majors seem unlikely to take up Gov. duPont's invitation.

California has no usury limit on credit cards, and Illinois' 18-percent cap is not considered terribly onerous. Both states allow fees on credit cards. And banks in neither state would reap much tax benefit by setting up units in Delaware.

"We don't see any particular advantage to having a presence in Delaware," says John Duffy, executive vice president of Security Pacific National Bank in Los Angeles.

An attorney at a major Chicago

bank described any attractions as "marginal."

While New York recently removed usury limits, its banks could experience a big advantage in terms of taxes if they made the move. Banks in New York City pay a 13.8-percent tax on earnings to the city and a 12-percent tax to the state.

In contrast, banks earning less than \$20 million on their Delaware operations would pay a tax of 8.7 percent. The tax would be scaled down to 2.7 percent for bank operations that earn more than \$30 million.

Delaware-based banks are unaffected since none earns more than \$20 million.

A Correction

The Petro-Lewis Eurobond indexed to the price of oil, reported Wednesday, incorrectly stated there was an upper limit on how high the price of oil could climb. In fact, the index to the price of oil is open ended.

The Future at Ford Looks More Compact

By Patrick Boyle

DETROIT — On the day after Memorial Day in 1978, Ford Motor's top executives met to give final approval to the new designs at work to carry the automaker to the era of the small car.

Henry Ford 2d, then chairman, had never been enthusiastic about selling millions of dollars on new models without some confidence that the cars would be profitable.

With gasoline selling at the time at only 63 cents a gallon and the Japanese facing trouble selling small cars, Mr. Ford did what any savvy manager might do — he cut a program in half, agreeing with a part he felt the firm could afford and postponing the balance, which would have forced Ford to borrow nearly \$1 billion.

As a result, Ford is now on its feet after being shocked by an unexpectedly combination of national and international events that only some sayers were predicting in 1978.

[Ford Motor said Wednesday it expects a loss in the first quarter year than the \$316 million in the fourth quarter of 1980, but it expects the loss to be substantially narrowed in the second quarter, figures reported from New York.

[Ford, in a preliminary prospectus for Ford Motor Credit's \$200 million offering of notes, estimated that it had a worldwide pre-tax loss to the first quarter about the same as in the fourth quarter, but an after-tax loss greater than in the fourth quarter because of reduced benefits from loss carrybacks and increased taxes on foreign earnings.

[Ford said any significant improvement to results in the longer run will depend, among other things, upon higher industry volumes and an increase in its share of the car market over the first quarter of 1981. Should there be such improvement, Ford said it is able to continue to develop new products over the longer term, but is impaired, adversely affecting its competitive position.]

Ford is not headed for bankruptcy, for the company still has one of the strongest overseas oper-

ations of any world auto manufacturer. But at home, Ford has fallen so far behind General Motors in committing to smaller cars that few observers believe it can continue to compete with GM across the full line of vehicles.

Healthier Than Chrysler

Analysts agree that Ford is in much better shape than Chrysler. In considering whether to grant wage concessions to Ford, the United Auto Workers concluded that the company could double its \$4.3 billion in current debt before it would be as bad off as Chrysler. But Ford's outlook is grim.

Even with the recent round of price rebates on cars, Ford was unable to stir much interest in its models while GM and Chrysler set sales records. Ford's sales in March were down 5.3 percent from a year ago while GM had a 12 percent sales gain and Chrysler's sales were up 21 percent.

A recent independent study of Ford for an overseas competitor predicts that the company will lose nearly \$8 billion over the next five years to North America unless executives take drastic action to close plants and eliminate some car lines. And those losses will be only partially offset by profits from the company's strong overseas operations, the study predicts, leaving the company to the red until 1984.

The company lost \$2.8 billion on its U.S. operations in 1980 before tax credits reduced the loss to \$2 billion. At the same time, Ford had an overseas pretax profit of \$631 million.

As a result, analysts and consultants who have studied the company's operations predict that Ford will in the near future become less of a U.S. company. It will be forced to import engines, transmissions and even completed vehicles from foreign factories as it tries to reduce costs and close the gap between what it can build and what the public wants to buy.

Ford's U.S. car sales last year were half of what they were in 1978. Since 1977, Ford has seen its domestic share of each segment of the U.S. market — from subcompact to full size — decline sharply, and its total share of the U.S. mar-

ket in 1980 was 17.3 percent, down from 23 percent in 1977.

GM held onto a 46 percent share during those years, despite increasing foreign competition.

In contrast, Ford has kept its 9.4 percent share of the market outside the United States, despite stiffer competition from the Japanese. Ford surpassed Peugeot in 1980 to become the largest truck maker in Europe and Ford sells more cars in Britain than any other manufacturer, capturing 30 percent of the U.K. market. Ford sells more vehicles outside its home market than any other automaker, well ahead of GM, Toyota and Volkswagen.

[Ford's British subsidiary said Wednesday in its annual report that 1980 group pretax profit fell to £226 million from £386 million the previous year on sales of £2.92 billion against £3.19 billion in 1979.]

But Ford's U.S. outlook is not bright. Though Ford insists that it plans to remain a full-line producer at home, the company has already begun to shift certain manufacturing operations abroad to take advantage of lower wage rates, and this process will continue.

Harold Poling, Ford's executive vice president in charge of North American operations, said sharp wage and benefit reductions by the United Auto Workers will be necessary to keep the automaker from buying even more components overseas — primarily from its Japanese affiliate, Toyo Kogyo. Ford owns 25 percent of TK and the two jointly build a car to Australia.

Mr. Poling, a 30-year Ford veteran who played a key role in restoring the company's European operations to health in the 1970s, believes the Japanese have a \$1,200 to \$1,500 per vehicle cost advantage over U.S. manufacturers, largely because of lower wages.

"My objective is to find a way to be cost competitive and to put the products to the United States and therefore keep the jobs here," Mr. Poling said in a recent interview. "But if we can't accomplish that, then I'm not ready to go out of business. I'll move to the place where I can get the product at a competitive cost."

Venezuela Planning To Restructure Debt

By Martin Baron

MADRID — Venezuela plans to restructure its \$8.6 billion of short-term debt into medium-term credits over the next three years, Planning Minister Ricardo Martinez said Wednesday.


Attending the Inter-American Development Bank's annual meeting, he said there has been no decision on whether Venezuela will proceed with a \$3-billion jumbo credit, widely anticipated by bankers in the Euro market, to finance the restructuring.

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ISSUE AND PAYMENT DATE: 16TH APRIL, 1981

FURTHER INFORMATION IS AVAILABLE FROM THE MANAGERS

NYSE Nationwide Trading Closing Prices Apr. 8

Tables include the nationwide prices up to the closing on Wall Street.

Main NYSE stock price table with columns for stock symbols, prices, and volume. Includes sub-sections for 'Continued from Page 16' and 'Quotations in Canadian funds'.

U.S. COMMODITY PRICES

Table of U.S. commodity prices including Chicago Futures (Wheat, Corn, Soybeans), New York Futures (Cotton, Sugar), and Cash Prices (Copper, Aluminum).

Market Summary NYSE Most Active

Table listing the most active NYSE stocks, including Am-Tel, Penn Corp, and others, with their respective prices and volume.

International Monetary Market

Table showing international monetary market data, including British Pound, Canadian Dollar, and Japanese Yen.

London Metals Market

Table of London metals market prices for various metals like copper, nickel, and zinc.

Cash Prices

Table of cash prices for commodities such as copper, aluminum, and tin.

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Table showing Dow Jones Averages and Dow Jones Bond Averages.

Standard & Poors

Table of Standard & Poors stock index data.

Commodity Indexes

Table of commodity indexes for various goods.

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Table listing dividends for various companies.

Toronto Stocks

Table of Toronto stock market closing prices for April 7, 1981.

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Valuers White Weld S.A.

Text regarding Valuers White Weld S.A. services and contact information.

European Options Exchange

Table of European options exchange data.

AMEX Index

Table of AMEX index data.

Tokyo Exchange

Table of Tokyo exchange data.

Paris

Table of Paris market data.

London

Table of London market data.

Brussels

Table of Brussels market data.

SOCIÉTÉ GÉNÉRALE

Advertisement for SOCIÉTÉ GÉNÉRALE, U.S. \$60,000 floating rate note due 1984.

ENEL

Advertisement for ENEL, U.S. \$400,000,000 floating rate notes due 1987.

Frankfurt

Advertisement for Frankfurt market services.

Zurich

Advertisement for Zurich market services.

Milan

Advertisement for Milan market services.

London

Advertisement for London market services.

Paris

Advertisement for Paris market services.

Large advertisement for 'Oil and Money Conference' in London, Sept. 28-29, featuring a drop of oil graphic and contact information for the International Herald Tribune.

AMEX Nationwide Trading Closing Prices Apr. 8

Tables include the nationwide prices up to the closing on Wall Street.

Large table of AMEX trading closing prices for various stocks, organized into columns with headers for stock names, prices, and other financial data.

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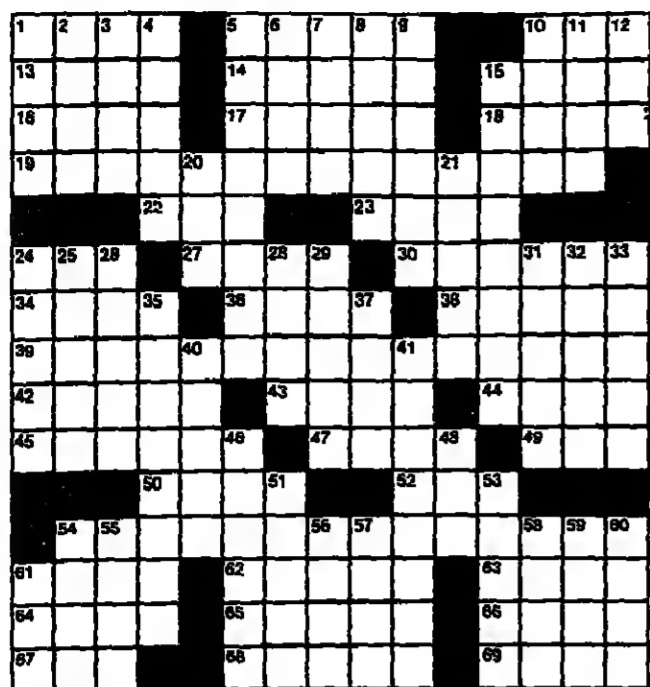
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CROSSWORD

By Eugene T. Maleska



ACROSS

- 1 Converse
5 Unloads
10 Article
13 Vex
14 Go (deteriorate)
15 Ring out
16 Wolfish look
17 Ekberg of films
18 Like a slugabed
19 Play by 39
22 Gluttonous one
23 Legal transfer
24 Employment
27 Western flattop
30 Cruelty
34 In (programmed)
36 Coutee substance
38 Actress Berger
39 U.S. dramatist
42 Flower
43 Tub, in Turino
44 Trucker's rig, for short

DOWN

- 45 '--- Fidelis,'
47 --- it (husties)
49 ---, --- toe
50 Silis forte
52 Yak
54 Play by 39
61 Student's book
62 Gigantic one
63 ---
64 Glib and suave
65 Waterworn
66 Pout
67 Mouvoux meadow
68 Marry again
69 Mall sign

Solution to Previous Puzzle



WEATHER

Table with columns for city, high, low, and weather conditions. Includes cities like Algarve, Amsterdam, Ankara, Athens, Auckland, Bangkok, Beirut, Berlin, Brussels, Bucharest, Budapest, Buenos Aires, Cairo, Casablanca, Chicago, Copenhagen, Costa del Sol, Dublin, Edinburgh, Florence, Frankfurt, Geneva, Helsinki, H.C. M.H. City, Hong Kong, Houston, Istanbul, Jakarta, Jerusalem, Johannesburg, Las Palmas, Lima, Lisbon, London, Los Angeles, Madrid, Manila, Mexico City, Miami, Montreal, Moscow, Munich, Nassau, New Delhi, New York, Nice, Oslo, Paris, Peiking, Prague, Rio de Janeiro, Rome, Sao Paulo, Seoul, Singapore, Stockholm, Sydney, Taipei, Tel Aviv, Toronto, Tunis, Venice, Vienna, Warsaw, Washington, Zurich.

RADIO NEWSCASTS

BBC WORLD SERVICE

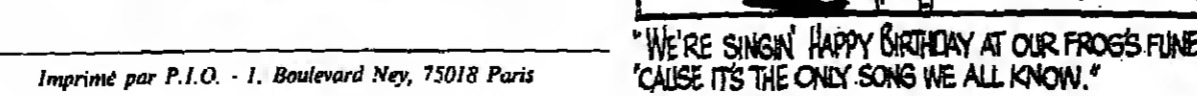
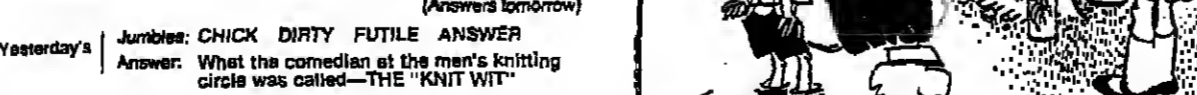
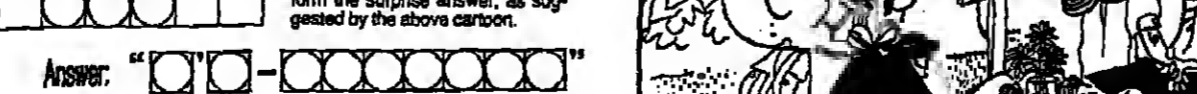
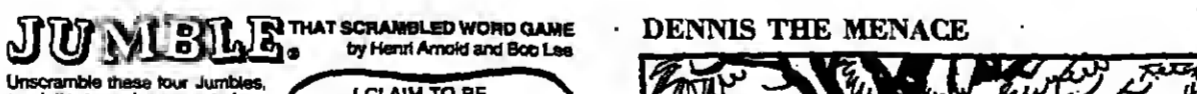
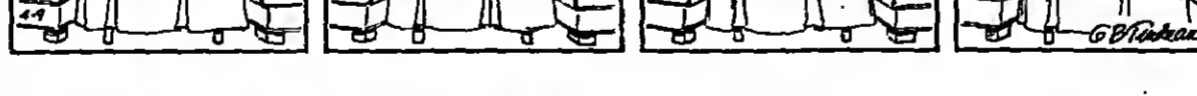
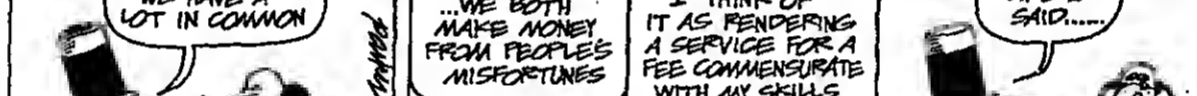
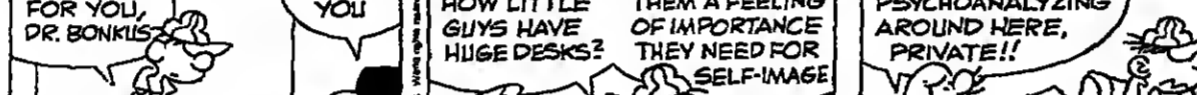
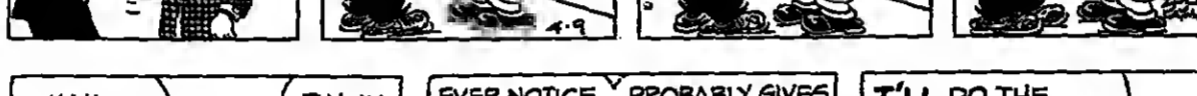
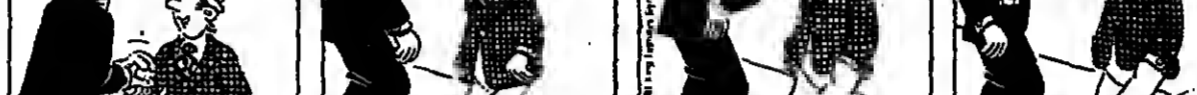
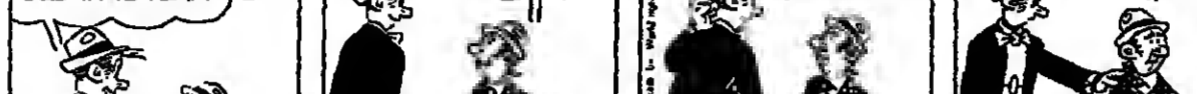
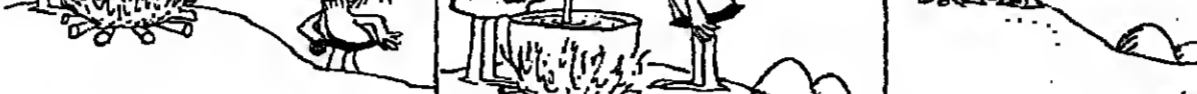
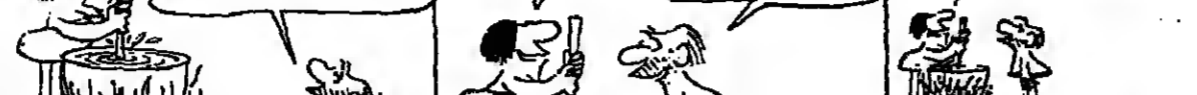
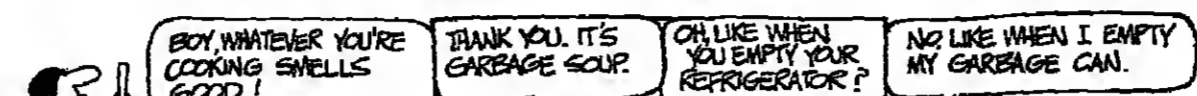
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VOICE OF AMERICA

The Voice of America broadcasts world news in English on the hour and at 28 minutes after the hour during varying periods to different regions.

U.K. Legislators Are Never Drunk On Duty

LONDON — British legislators are never drunk on duty, and that's official. The statement was made Tuesday by the Speaker of the House of Commons, George Thomas, a lifelong teetotaler, after a member of the House of Lords accused lawmakers in the lower chamber House of Commons of almost "perpetual drunkenness."



BOOKS

THE TEMPTATION OF SAINT ANTONY

By Gustave Flaubert. Translated with introduction and notes by Kitty Mrosovsky. Cornell University Press. Illustrated. 293 pp. \$17.50.

Reviewed by John Leonard

It is a well-known story. Flaubert has just finished the first version of his "The Temptation of Saint Antony." He is pleased with himself. He thinks he has hatched a French "Faust." He reads it aloud to two of his friends, the reading aloud, from midday to 4 p.m. and from 8 p.m. to midnight, takes him four days. When he is done, his friends advise him to burn the manuscript. Why, they want to know, can't he write more like Balzac?

Of course, he didn't burn the manuscript, but he did spend the next 25 years, off and on, revising it. It still isn't "Faust"; it isn't even "Madame Bovary." Imagine, if you can, reading William James' "Varieties of Religious Experience" while under the influence of LSD. When the Devil, who talks for the most part rather like Spinoza, tells Last, "I alone make you serious," we are in the realm of slapstick.

Kitty Mrosovsky's translation is the first new one in English in half a century. It is as breezy as Lafcadio Hearn's, and much more useful to students and scholars because of the comprehensive critical notes. Flaubert, as usual, had done his homework. The breadth of his reading amazes, but then, 19th-century writers felt that they had to read everything; 20th-century writers too often seem to feel that reading anything will compromise them in their splendid singularity. And Mrosovsky appears to have consulted all that Flaubert saw.

A Model of Intelligence

Her long introduction is a model of intelligence. She insists on the cruelty, the sexuality and the messianic of Flaubert. His fascination with madness, dreams and hallucinations seems to owe as much to the Romanticism of his century as it does to his putative epilepsy. If the hermaphrodite to be found in the first version of "The Temptation" is missing from the last, and so is the sacrificial bleeding of a child, he may have been worried about the censor; then again, perhaps his religious convictions deepened, although I for one refuse to take seriously the face of Jesus Christ in the middle of the sun which was Flaubert's ultimate revision of his "Metaphysical Howl."

Mrosovsky also has some firm fun with the various critical readings of "The Temptation." It is a Rorschach test. Valery found St. Antony so "morally passive" that he wept, like the Queen of Sheba, to pinch him. Proust complained of the absence of fine metaphors, although "the only sound is the tick of tarantulas" strikes me as a good try. Sartre argued that a "first or idealist negation of the real" engenders the disappointed negation through a ludicrous, ultramaterialism, and it may be just as well that Sartre couldn't finish his study of Flaubert. The semiologists, of course, are having a field day. For Michel Foucault, the "crude omnianism" of "The Temptation" opens the golden door for Mallarme, Joyce, Roussel, Kafka, Pound and Borges: "The library is ablaze."

Between the introduction and the critical notes, unfortunately, there is "The Temptation." Flaubert's St. Antony is not the good guy we meet in the standard accounts. He is somehow greedy for goodness, acquainted with masochism, and terribly busy in the Egyptian desert. He might say, as Last does in the first version, "If only, for feeling, I had hands all over my body! If only, for kissing, I had lips at the ends of my fingers!" He is tempted by everybody who was anybody in the religions and mythologies of antiquity, from Helen of Troy to the Buddha, from Sheba to Jupiter, from Isis to the Unicorn. Gnosticism shows up, and so does science. There are the Seven Deadly Sins, the Beasts of the Sea, Terrestrial Constellation and Pygmies. Gods are seized with vertigo and stars invariably "pulsate."

As Faust sought the Mothers, a Flaubert's St. Antony seeks of molecule; he would fall through empty space, "get down to the depth of matter." "Wave my trunk, twist my body, divide myself up, to be in side everything as plants do, flow like water, vibrate like sound, gleam like light, to curl myself into every shape to penetrate each atom." What all this has to do with the crucifixion image a Jesus Christ on the face of the sun can't imagine.

The surgeon's son who would, by two temptations, write that master piece of Realism, "Madame Bovary," is not much in evidence here. There are too many lips at the ends of his fingers. Herbert Spencer grapple with Spinoza in the desert, under his pulsating stars, while tarantulas tick. Some of this is almost, but not quite as ridiculous as Chateaubriand "Howl, dance, wither! Bacchus tell us; untie the tiger and the slave! Bind your savage teeth into flesh!" Wearing black masks, brandishing tambourines, pelting each other with shells gobbling raisins and strangling a he goat, we tear Bacchus apart.

Well, reality was hard on the 19th century imagination, and it may have been necessary, as Sartre said, for the artist to "irrealize" himself and become "the gigantic depositary of the Spinozistic substance" which we know in the 20th century as its negation, the even-popular Void.

John Leonard is on the staff of The New York Times.

Gault-Millau Warns About U.S. Food

United Press International

PARIS — Put Dracula in some U.S. restaurants for six months "and his sharp teeth will fall out and he will know nothing more than how to suck yogurt through a straw." That is the warning of Henry Gault and Christian Millau, the French food and restaurant critics. Their first book on the New York food scene, "Guide New York," advises French tourists in the United States to "go out on the streets to see the fat people, stuffed from infancy with sugar, gassy drinks, flour and superfluous vitamins. It is not by chance that American dentists are the best in the world."

But it also says that hope is in sight. "Twenty years ago, once ate hideous dishes in New York but today there are at least a dozen French-inspired restaurants which transplanted in Europe could occupy a brilliant place."

In an interview, Gault added, "Little by little American cooking is being decolonized," meaning not just copying foreign dishes. "In 20 or 30 years, there will be a true American cuisine, different from all the others. As of now there is no true American cuisine."

It is abnormal that Americans leave to foreigners the exclusive right to feed them.

The book says that for a long time "the idea that Americans could produce something good to eat or drink made us laugh, but California wines now are superb." But the book is laid on U.S. eating habits.

"From ketchup to cake mix, from Jell-O to peanut butter, sauces of white glue, unremoving gelatin, fish croquettes — is it possible that 220 million humans among the most talented in the world accept gaily to eat such horrors?"

"It's not just that American food is so bad, but that most Americans believe it is very good. Advertising persuades them. American masters have lost all contact with natural flavors."

BRIDGE

By Alan Truscott

ONE of the more exotic conventions met with in modern tournament play is called "Crash." It is a conventional defense to a strong artificial club opening, and the overall side designates three clubs that will show certain two-suited hands: the same color, the same rank or the same shape — which may mean clubs and hearts or spades and diamonds.

How this is arranged in detail varies with the partnership involved. On the diagrammed deal, East's overall of one heart showed suits of the same shape. Now, as always happens with this convention, the other players had to guess which suits East held. West's jump to three diamonds showed that he was willing to play that contract if East held spades and diamonds, but was prepared for hearts or clubs if his partner retreated.

When North doubled to show extra strength, East raised to four diamonds.

Bridge hand diagram showing North (D) and South hands with suits and points.

Neither side was vulnerable. The bidding: North East South West 1♣ 1♥ 1♠ 1♣ Pass Pass 2♦ 2♦ Pass Pass 3♦ 3♦ Pass Pass 4♦ 4♦ Pass Pass

moods, making the situation clear to everyone. This contract would have failed by one trick, a satisfactory result for East-West whether or not they were doubled. But South ventured four hearts with a suit that would give pleasure to a poker player who did not count his cards.

Diamond leads would have defeated the game in straightforward fashion, but East and West found a more complex way to take four tricks. The opening lead was the heart three, the right choice from such a holding in the trump suit. The declarer won in dummy and surrendered a club to West. Another trump lead drove out the remaining high honor in dummy, and South played clubs, ruffing the third round.

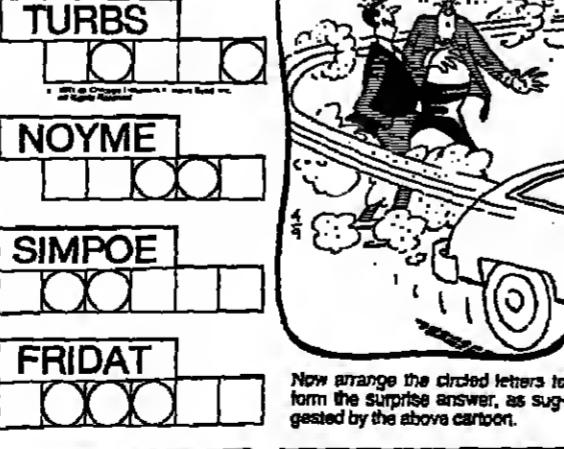
Dummy was entered with a spade lead to ruff another club, and another spade lead to dummy left this position:

Bridge hand diagram showing West and East hands with suits and points.

The defense now found the right road. On the last club they both threw a diamond, with West contributing the ten. When the diamond ace was led from dummy, East played the queen, allowing his partner to overtake and lead his trump winner for down one.

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.



Answer: TURBS, NOYME, SIMPOE, FRIDAT

Yesterday's Jumble: CHICK DIRTY FUTILE ANSWER

Answer: What the comedian at the men's knitting circle was called — THE "KNIT WIT"

DENNIS THE MENACE



"WE'RE SINGIN' HAPPY BIRTHDAY AT OUR FROG'S FUNERAL 'CAUSE IT'S THE ONLY SONG WE ALL KNOW."

Handwritten Arabic text at the bottom of the page.

